

HYUNDAI MOTOR COMPANY

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2001 and 2000
TOGETHER WITH AUDITORS' REPORT

Anjin & Co

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

English Translation of a Report Originally Issued in Korean

To the Shareholders and
Board of Directors of
Hyundai Motor Company:

We have audited the accompanying consolidated balance sheets of Hyundai Motor Company and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. In 2001 and 2000, we did not audit the financial statements of certain subsidiaries, which statements represent total assets of ₩9,785,279 million (\$7,378,990 thousand) and ₩7,442,179 million (\$5,612,080 thousand), respectively, and total revenues of ₩15,819,077 million (\$11,929,023 thousand) and ₩10,707,464 million (\$8,074,402 thousand), respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Hyundai Motor Company and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and the changes in the shareholders' equity and their cash flows for the years then ended in conformity with financial accounting standards in the Republic of Korea (see Note 2).

The translated amounts in the accompanying financial statements have been translated into U.S. dollars, solely for the convenience of the reader, on the basis set forth in Note 2.

Without qualifying our opinion, we draw attention to Note 1 of the financial statements which states that the operations of the Company and its subsidiaries have been affected, and may continue to be affected for the foreseeable future, by the general unstable economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these uncertainties on the financial position of the Company and its subsidiaries as of the balance sheet dates cannot presently be determined.

As further discussed in Note 1, in 2001, the Company added seven domestic companies including ROTEM (formerly Korea Rolling Stock Co.) and four overseas companies including Hyundai-Assan Otomotiv Sanayi Ve Ticaret Anonim Sirketi to its consolidated subsidiaries. These changes in the scope of consolidation increased total assets and total revenues by ₩2,426,041 million (\$1,829,456 thousand) and ₩715,047 million (\$539,210 thousand), respectively, and decreased net income and shareholders' equity by ₩6,275 million (\$4,732 thousand) and ₩2,464 million (\$1,858 thousand), respectively, as compared to the results using the previous scope of consolidation. In 2001, Kia Motors Europe GmbH, which is an indirect subsidiary through investment of Kia Motors Corp. (Kia), one of the Company's domestic subsidiaries, merged with Kia Motors Deutschland GmbH, another subsidiary, and changed its name to Kia Motors Deutschland GmbH. Also, the Company excluded Hyundai Motor Europe Pars in its consolidated subsidiaries as of December 31, 2001 due to the disposal of investments.

As discussed in Note 28, effective January 31, 2000, the Company sold the Sales Division for motor parts for after-sales service, which handled the sales and distribution of the parts used for after-sales service, to Hyundai MOBIS. In addition to the payment for the book value of the disposed net assets of ₩396,422 million (\$314,696 thousand), the Company has received a lump-sum royalty of ₩50,000 million (\$39,692 thousand) in 2001 and will receive an annual royalty of ten percent of ordinary income of the Sales Division for motor parts for after-sales service for a ten year period starting in 2000 as payment for goodwill.

As also discussed in Note 28, effective December 1, 2000, Kia sold the Sales Division for motor parts for after-sales service, which handled the sales and distribution of the parts used for after-sales service, to Hyundai MOBIS. In addition to the payment for the book value of the disposed net assets of ₩264,805 million (\$210,213 thousand), Kia shall receive payment for the goodwill consisting of a lump-sum royalty of ₩45,300 million (\$35,961 thousand) equally over a five-year period beginning in 2002 with interest at 11 percent annually and for an annual royalty of ten percent of ordinary income of the Sales Division for motor parts for after-sales service for a ten year period starting in 2001.

As explained in Note 27, on November 4, 2000, the shareholders of Kia approved at the shareholders' meeting the retirement by December 31, 2001 of 80 million shares, or 17.8 percent of total common stock issued. In accordance with the consensus reached during the shareholders' meeting and the provisions of the Korean Commercial Code, in 2001, Kia concluded the stock retirement covering 80 million treasury shares.

As described in Note 17, on January 31, 2001, the National Tax Tribunal accepted Kia's assertion and issued its decision on the reassessment of Kia's prior years' taxable income. Pursuant to the decision of the National Tax Tribunal, the tax authorities reassessed Kia's tax loss carryforward and determined the deductible amount for tax loss carryforward as ₩640,589 million (\$483,062 million) as of January 1, 2001. In prior years, the future tax benefits from the tax loss carryforward were not recorded by Kia as deferred income tax assets pending the outcome of the tax litigation. Accordingly, in 2001, the Company recognized the tax benefits from the reassessed tax loss carryforward as an extraordinary gain in the amount of ₩197,301 million (\$148,783 million).

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.



Seoul, Korea,
April 4, 2002

HYUNDAI MOTOR COMPANY

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2001 AND 2000

<u>ASSETS</u>	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Current assets:				
Cash and cash equivalents	₩ 2,304,424	₩ 709,505	\$ 1,737,745	\$ 535,031
Short-term financial instruments (Note 15)	1,634,060	950,513	1,232,230	716,773
Marketable securities (Note 4)	866,521	458,505	653,436	345,754
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩ 297,372 million in 2001 and ₩151,116 million in 2000 and unamortized discount of ₩4,215 million in 2001 and ₩4,192 million in 2000	1,848,372	1,685,224	1,393,841	1,270,812
Inventories (Note 3)	3,787,927	3,892,290	2,856,441	2,935,141
Advances and other, net of allowance for doubtful accounts of ₩199,975 million in 2001 and ₩119,176 million in 2000	1,597,411	1,907,195	1,204,593	1,438,199
Total current assets	<u>12,038,715</u>	<u>9,603,232</u>	<u>9,078,286</u>	<u>7,241,710</u>
Non-current assets:				
Long-term financial instruments (Note 15)	99,735	156,397	75,209	117,938
Investment, net of unamortized discount of ₩25,545 million in 2001 and ₩27,446 million in 2000 (Notes 4 and 15)	1,743,242	1,047,878	1,314,563	790,195
Property, plant and equipment, net of accumulated depreciation of ₩5,317,325 million in 2001 and ₩3,892,203 million in 2000 (Notes 5, 6, 7 and 15)	16,905,497	15,483,215	12,748,282	11,675,752
Intangibles (Note 8)	2,151,235	1,960,696	1,622,227	1,478,543
Other assets (Note 9)	731,407	1,264,953	551,548	953,889
Deferred income tax assets (Note 18)	1,134,052	893,136	855,178	673,506
Total non-current assets	<u>22,765,168</u>	<u>20,806,275</u>	<u>17,167,007</u>	<u>15,689,823</u>
Other financial business assets (Note 10):	<u>5,068,413</u>	<u>1,577,703</u>	<u>3,822,044</u>	<u>1,189,732</u>
Total assets	<u>₩ 39,872,296</u>	<u>₩ 31,987,210</u>	<u>\$ 30,067,337</u>	<u>\$ 24,121,265</u>

(continued)

HYUNDAI MOTOR COMPANY

CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2001 AND 2000

<u>LIABILITIES AND</u> <u>SHAREHOLDERS' EQUITY</u>	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Current liabilities:				
Short-term borrowings (Note 11)	₩ 6,748,184	₩ 4,145,788	\$ 5,088,744	\$ 3,126,301
Current maturities of long-term debt, net of Unamortized discount of ₩5,877 million in 2001 and ₩3,287 million in 2000 (Note 12)	2,768,331	2,544,576	2,087,573	1,918,842
Trade notes and accounts payable	3,775,059	4,759,455	2,846,738	3,589,062
Accrued warranties	725,040	386,859	546,746	291,727
Accounts payable-other	1,487,994	1,083,462	1,122,083	817,029
Dividends payable (Note 19)	220,179	167,684	166,035	126,449
Accrued expense	621,008	710,217	468,297	535,568
Income tax payable	415,405	169,346	313,253	127,702
Other current liabilities	<u>1,116,013</u>	<u>613,349</u>	<u>841,575</u>	<u>462,521</u>
Total current liabilities	<u>17,877,213</u>	<u>14,580,736</u>	<u>13,481,044</u>	<u>10,995,201</u>
Long-term liabilities:				
Long-term debt, net of current maturities (Note 12)	8,259,094	5,335,232	6,228,108	4,023,250
Accrued severance benefits, net of National Pension payments for employees of ₩141,674 million in 2001 and ₩160,024 million in 2000 and individual severance insurance deposits of ₩1,250,037 million in 2001 and ₩829,498 million in 2000 (Note 2)	752,244	952,672	567,260	718,401
Accrued loss on valuation of derivatives (Note 2)	62,382	178,787	47,042	134,822
Accrued product liabilities	1,171,058	803,034	883,084	605,561
Deferred income tax liabilities (Note 18)	84,891	9,614	64,016	7,250
Other long-term liabilities	<u>181,433</u>	<u>133,297</u>	<u>136,817</u>	<u>100,517</u>
Total long-term liabilities	<u>10,511,102</u>	<u>7,412,636</u>	<u>7,926,327</u>	<u>5,589,801</u>
Total liabilities	<u>₩ 28,388,315</u>	<u>₩ 21,993,372</u>	<u>\$ 21,407,371</u>	<u>\$ 16,585,002</u>

Commitments and contingencies (Note 22)

(continued)

HYUNDAI MOTOR COMPANY

CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2001 AND 2000

<u>LIABILITIES AND</u> <u>SHAREHOLDERS' EQUITY</u>	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Shareholders' equity:				
Capital stock (Note 13)	₩ 1,476,455	₩ 1,476,455	\$ 1,113,381	\$ 1,113,381
Capital surplus	5,306,331	5,354,390	4,001,456	4,037,697
Retained earnings				
(Net income of ₩1,152,136 million in 2001 and ₩603,481 million in 2000)	2,258,796	1,542,870	1,703,338	1,163,464
Capital adjustments (Note 14)	(65,435)	(795,174)	(49,344)	(599,633)
Minority interests	2,507,834	2,415,297	1,891,135	1,821,354
Total shareholders' equity	11,483,981	9,993,838	8,659,966	7,536,263
 Total liabilities and shareholders' equity	 ₩ 39,872,296	 ₩ 31,987,210	 \$ 30,067,337	 \$ 24,121,265

The accompanying notes are an integral part of these statements.

HYUNDAI MOTOR COMPANY

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Korean won (in millions, except per share amounts)		Translation into U. S. dollars (Note 2) (in thousands, except per share amounts)	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Sales	₩ 39,851,575	₩ 32,518,001	\$ 30,051,711	\$ 24,521,530
Cost of sales	<u>29,307,330</u>	<u>24,324,375</u>	<u>22,100,392</u>	<u>18,342,791</u>
Gross profit	10,544,245	8,193,626	7,951,319	6,178,739
Selling and administrative expenses (Note 16)	<u>7,426,130</u>	<u>6,296,249</u>	<u>5,599,977</u>	<u>4,747,944</u>
Operating income	<u>3,118,115</u>	<u>1,897,377</u>	<u>2,351,342</u>	<u>1,430,795</u>
Other expenses, net:				
Interest expense, net	572,474	697,781	431,698	526,190
Loss on foreign currency translation, net	101,732	233,581	76,715	176,141
Loss (gain) on foreign currency transaction, net	113,543	(20,233)	85,622	(15,258)
Reversal of allowance for bad debt	-	(149,303)	-	(112,588)
Loss on valuation of investments accounted for using the equity method, net	27,599	158,929	20,812	119,847
Loss on disposal of investments and other assets, net	219,694	23,228	165,669	17,516
Loss on disposal of property, plant and equipment, net	83,472	45,386	62,945	34,225
Loss on valuation of inventory	30,603	10,096	23,077	7,613
Other, net	<u>70,636</u>	<u>52,484</u>	<u>53,266</u>	<u>39,578</u>
	<u>1,219,753</u>	<u>1,051,949</u>	<u>919,804</u>	<u>793,264</u>
Ordinary income	<u>1,898,362</u>	<u>845,428</u>	<u>1,431,538</u>	<u>637,531</u>
Extraordinary items: (Note 17)				
Loss on disposal of investments, net	-	(166,215)	-	(125,341)
Other extraordinary gain, net	<u>190,650</u>	<u>95,300</u>	<u>143,767</u>	<u>71,865</u>
	<u>₩ 190,650</u>	<u>₩ (70,915)</u>	<u>\$ 143,767</u>	<u>\$ (53,476)</u>

(continued)

HYUNDAI MOTOR COMPANY

CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Korean won (in millions, except per share amounts)		Translation into U. S. dollars (Note 2) (in thousands, except per share amounts)	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Income before income tax	₩ 2,089,012	₩ 774,513	\$ 1,575,305	\$ 584,055
Income tax expense (Note 18)	<u>671,164</u>	<u>160,666</u>	<u>506,119</u>	<u>121,157</u>
Income before minority interests	1,417,848	613,847	1,069,186	462,898
Minority interests	<u>(265,712)</u>	<u>(10,366)</u>	<u>(200,371)</u>	<u>(7,818)</u>
Net income	<u>₩ 1,152,136</u>	<u>₩ 603,481</u>	<u>\$ 868,815</u>	<u>\$ 455,080</u>
Ordinary income per ordinary common share	<u>₩ 5,713</u>	<u>₩ 3,064</u>	<u>\$ 4.31</u>	<u>\$ 2.31</u>
Earnings per ordinary common share	<u>₩ 5,103</u>	<u>₩ 2,818</u>	<u>\$ 3.85</u>	<u>\$ 2.13</u>
Ordinary income per fully diluted common share	<u>₩ -</u>	<u>₩ 3,028</u>	<u>\$ -</u>	<u>\$ 2.28</u>
Earnings per fully diluted common share	<u>₩ -</u>	<u>₩ 2,786</u>	<u>\$ -</u>	<u>\$ 2.10</u>

The accompanying notes are an integral part of these statements.

HYUNDAI MOTOR COMPANY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2001 and 2000

	Korean won (in millions)					Translation into U.S. dollars (Note 2) (in thousands)	
	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interest	Total amount	Total amount
January 1, 2000	₩1,373,364	₩ 5,048,127	₩ 998,439	₩ (307,245)	₩ 2,126,296	₩ 9,238,981	\$ 6,967,032
Proceeds from issuance of stock	103,091					103,091	77,740
Increase in paid-in capital in excess of par value		327,222				327,222	246,755
Investment differences from additional stock acquisition		(23,074)				(23,074)	(17,400)
Increase by disposal of stock		1,027				1,027	774
Application of the equity method		5,632	8,825			14,457	10,902
Effect of change in the scope of consolidation		(3,810)	104,623	(27,819)	580,819	653,813	493,034
Effect of change in the scope of equity method		(177)	(27,136)			(27,313)	(20,596)
Reversal of accumulated losses in excess of minority interest			18,047			18,047	13,609
Payment of cash dividends (Note 19)			(165,387)			(165,387)	(124,717)
Net income			603,481			603,481	455,080
Acquisition of treasury stock				(393,882)		(393,882)	(297,023)
Loss on valuation of investment equity securities				(25,053)		(25,053)	(18,892)
Conversion rights				(7,986)		(7,986)	(6,022)
Increase in stock options				7,225		7,225	5,448
Cumulative translation debits				25,303		25,303	19,081
Loss on translation of derivatives				(65,717)		(65,717)	(49,557)
Effect of change in the minority interest					(291,818)	(291,818)	(220,057)
Others		(557)	1,978			1,421	1,072
December 31, 2000	<u>₩1,476,455</u>	<u>₩ 5,354,390</u>	<u>₩1,542,870</u>	<u>₩ (795,174)</u>	<u>₩ 2,415,297</u>	<u>₩ 9,993,838</u>	<u>\$ 7,536,263</u>

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HYUNDAI MOTOR COMPANY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Korean won (in millions)					Total amount	Translation into U.S. dollars (Note 2) (in thousands)
	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interest	Total amount	Total amount
January 1, 2001	₩ 1,476,455	₩ 5,354,390	₩ 1,542,870	₩ (795,174)	₩ 2,415,297	₩ 9,993,838	\$ 7,536,263
Difference between additional investment and equity of subsidiaries		(74,984)				(74,984)	(56,545)
Disposal of subsidiaries' stock		(75,004)	(62,139)	49,264		(87,879)	(66,269)
Disposal of treasury stock		15,380		213,342		228,722	172,477
Retirement of treasury stock by retained earnings			(168,694)	168,694		-	-
Retirement of subsidiaries' treasury stock		68,732				68,732	51,830
Application of the equity method			(1,649)	(2,252)		(3,901)	(2,942)
Effect of change in the scope of consolidation		(43,854)	(486)		48,151	3,811	2,874
Effect of change in the scope of equity method			(33)	477		444	335
Payment of cash dividends (Note 19)			(215,145)			(215,145)	(162,239)
Net income			1,152,136			1,152,136	868,817
Treasury stock				40,369		40,369	30,442
Discount on stock issuance				(573)		(573)	(432)
Loss on valuation of investment equity securities				194,237		194,237	146,472
Stock options				6,693		6,693	5,047
Cumulative translation debits				14,188		14,188	10,699
Loss on transaction of derivatives				45,300		45,300	34,160
Effect of change in the minority Interest					44,386	44,386	33,471
Others		61,671	11,936			73,607	55,506
December 31, 2001	<u>₩ 1,476,455</u>	<u>₩ 5,306,331</u>	<u>₩ 2,258,796</u>	<u>₩ (65,435)</u>	<u>₩ 2,507,834</u>	<u>₩ 11,483,981</u>	<u>\$ 8,659,966</u>

The accompanying notes are an integral part of these statements.

HYUNDAI MOTOR COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Korean won		Translation into	
	(in millions)		U. S. dollars (Note 2)	
	2001	2000	2001	2000
Cash flows from operating activities:				
Net income	₩ 1,152,136	₩ 603,481	\$ 868,815	\$ 455,080
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	1,452,578	1,177,124	1,095,376	887,659
Loss on foreign currency translation, net	102,039	233,222	76,947	175,871
Loss on disposal of investments, net	219,694	189,443	165,669	142,857
Loss on valuation of investments accounted for using the equity method, net	27,599	158,929	20,812	119,847
Loss on disposal of property, plant and equipment, net	83,472	45,386	62,945	34,225
Loss on valuation of inventory	30,603	10,096	23,077	7,613
Loss on redemption of debentures, net	95	6,992	72	5,273
Loss on valuation of investments	38,774	39,744	29,239	29,971
Loss on disposal of trade receivables	102,830	65,888	77,543	49,686
Amortization of discount on debentures	56,180	62,637	42,365	47,234
Amortization of intangibles	100,562	54,383	75,833	41,010
Amortization of development costs	585,818	157,468	441,760	118,745
Provision for severance benefits	404,352	484,969	304,918	365,711
Provision for warranties and product liability	1,189,987	732,379	897,358	552,280
Provision (reversal) of allowance for doubtful accounts	495,165	(101,515)	373,399	(76,552)
Other extraordinary gain, net	(190,650)	(95,300)	(143,767)	(71,865)
Minority interests	265,712	10,366	200,371	7,817
Changes in operating assets and liabilities:				
Decrease in trade notes and accounts receivable	190,694	697,415	143,801	525,914
Decrease (increase) in advances	125,825	(141,346)	94,883	(106,588)
Decrease (increase) in inventories	293,355	(880,720)	221,216	(664,143)
Decrease (increase) in other current assets	134,094	(121,135)	101,119	(91,347)
Decrease in long-term notes and accounts receivables	1,163	98,294	877	74,123
Increase in deferred income tax assets	(171,309)	(130,611)	(129,183)	(98,493)
Decrease (increase) in other financial subsidiaries assets	(3,701,979)	1,135,875	(2,791,629)	856,553
Decrease in trade notes and accounts payable	(1,671,744)	(1,117,628)	(1,260,647)	(842,793)
Increase (decrease) in accounts payable-other	138,399	(284,893)	104,365	(214,835)
Increase (decrease) in other current liabilities	422,723	(18,981)	318,772	(14,313)
Decrease in individual severance insurance deposits	(226,847)	-	(171,063)	-
Decrease in accrued warranties and accrued product liabilities	(581,266)	(453,940)	(438,327)	(342,312)
Decrease in accrued loss on valuation of derivatives	(83,537)	-	(62,994)	-
Increase in deferred income tax liabilities	264,766	7,309	199,658	5,512
Payment of severance benefits	(288,906)	(256,745)	(217,861)	(193,609)
Others	(104,714)	104,718	(78,964)	78,966
	<u>857,663</u>	<u>2,473,304</u>	<u>646,755</u>	<u>1,865,097</u>

(continued)

HYUNDAI MOTOR COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Korean won		Translation into	
	(in millions)		U. S. dollars (Note 2)	
	2001	2000	2001	2000
Cash flows from investing activities:				
Cash inflows from investing activities:				
Proceeds from disposal of marketable securities	₩ 8,445,545	₩ 3,827,422	\$ 6,368,709	\$ 2,886,224
Reduction in short-term financial instruments and other current assets	4,262,003	2,267,385	3,213,938	1,709,814
Proceeds from disposal of investments	909,238	559,807	685,648	422,145
Reduction in other assets	847,911	989,279	639,402	746,006
Proceeds from disposal of property, plant and equipment	395,762	294,007	298,441	221,708
Proceeds from the sale of motor parts division	-	756,527	-	570,490
	<u>14,860,459</u>	<u>8,694,427</u>	<u>11,206,138</u>	<u>6,556,387</u>
Cash outflows from investing activities:				
Purchase of short-term financial instruments	(3,929,209)	(136,982)	(2,962,981)	(103,297)
Acquisition of marketable securities	(8,825,279)	(3,465,803)	(6,655,063)	(2,613,531)
Additions to other current assets	(864,293)	(2,108,633)	(651,756)	(1,590,101)
Acquisition of investments	(1,389,858)	(867,140)	(1,048,079)	(653,902)
Additions to other assets	(580,125)	(1,556,238)	(437,467)	(1,173,545)
Acquisition of property, plant and equipment	(1,984,248)	(2,335,326)	(1,496,303)	(1,761,048)
Expenditures for development costs	(976,785)	(726,805)	(736,585)	(548,077)
	<u>(18,549,797)</u>	<u>(11,196,927)</u>	<u>(13,988,234)</u>	<u>(8,443,501)</u>
	<u>(3,689,338)</u>	<u>(2,502,500)</u>	<u>(2,782,096)</u>	<u>(1,887,114)</u>
Cash flows from financing activities:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	13,078,341	20,636,249	9,862,259	15,561,608
Proceeds from long-term debt	6,604,869	2,021,297	4,980,672	1,524,242
Proceeds from issuance of stock	150,941	460,811	113,823	347,493
Proceeds from disposal of treasury stock	232,955	22	175,669	17
Others	240,147	82,809	181,094	62,446
	<u>20,307,253</u>	<u>23,201,188</u>	<u>15,313,517</u>	<u>17,495,806</u>
Cash outflows from financing activities:				
Repayment of short-term borrowings	(10,829,451)	(18,362,042)	(8,166,391)	(13,846,650)
Payment of current maturities of long-term debt	(2,583,982)	(3,609,360)	(1,948,557)	(2,721,786)
Payment of cash dividends	(167,653)	(141,289)	(126,426)	(106,545)
Repayment of long-term debt	(1,533,881)	(451,787)	(1,156,686)	(340,688)
Purchase of treasury stock	(352,672)	(567,658)	(265,947)	(428,066)
Payment of stock issuance costs	-	(792)	-	(597)
Others	(455,382)	(68,507)	(343,399)	(51,611)
	<u>(15,923,021)</u>	<u>(23,201,435)</u>	<u>(12,007,406)</u>	<u>(17,495,993)</u>
	<u>4,384,232</u>	<u>(247)</u>	<u>3,306,111</u>	<u>(187)</u>

(continued)

HYUNDAI MOTOR COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Increase in cash for the establishment of the U.S. branch	₩ -	₩ 12	\$ -	\$ 9
Decrease in cash due to the sale of Motor Parts Division	-	(3,327)	-	(2,509)
Effect of exchange rate on cash	16,193	2,010	12,211	1,516
Effect of change in consolidated subsidiaries	<u>26,169</u>	<u>186,915</u>	<u>19,733</u>	<u>140,952</u>
Net increase in cash	1,594,919	156,167	1,202,714	117,764
Cash, beginning of year	<u>709,505</u>	<u>553,338</u>	<u>535,031</u>	<u>417,267</u>
Cash, end of year	<u>₩ 2,304,424</u>	<u>₩ 709,505</u>	<u>\$ 1,737,745</u>	<u>\$ 535,031</u>

The accompanying notes are an integral part of these statements.

HYUNDAI MOTOR COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 and 2000

1. General Information

The Company

Hyundai Motor Company (the Company) was incorporated in December 1967, under the laws of the Republic of Korea, to manufacture and distribute motor vehicles and parts. The shares of the Company have been listed on the Korea Stock Exchange since 1974.

The Company acquired 214,200 thousand shares (51 percent) of the outstanding shares of Kia Motors Corp. (Kia) and Asia Motors Co., Inc. (Asia Motors) through a consortium, consisting with its affiliates, at a total acquisition amount of ₩1,178,100 million paid on March 29, 1999 based on a stock acquisition agreement dated December 1, 1998, enabling the Company to exercise substantial control of Kia (Asia Motors merged into Kia on June 30, 1999) and its subsidiaries. In addition, as of July 31, 1999, the Company merged the automobile and machine tool divisions of Hyundai Precision and Industry Co., Ltd. Due to such merger and acquisition, the Company's production and sales in domestic and foreign market have expanded significantly.

The Company's major production plants are as follows:

<u>Location</u>	<u>Commenced Production</u>	<u>Types of vehicles</u>
Domestic:		
Ulsan	1967	Passenger cars Commercial vehicles
Chunbuk Chunjoo	1995	Commercial vehicles
Chungnam Ahsan	1996	Passenger cars

As of December 31, 2001, 47.24 percent of the Company's stock (excluding preferred stock) is owned by Korean investors and the remaining 52.76 percent is owned by foreign investors, including DaimlerChrysler (10.46 percent) and Mitsubishi of Japan (4.55 percent), under a foreign investment agreements.

Consolidated Subsidiaries

The consolidated financial statements include the accounts of the Company and its consolidated domestic and foreign subsidiaries over which the Company has control, is the largest shareholder, and owns more than thirty percent of the voting shares. The consolidated subsidiaries as of December 31, 2001 are as follows:

	<u>Business</u>	<u>Shareholders' equity</u> <u>as of December 31, 2001</u>		<u>Shares(*)</u>	<u>Percentage</u> <u>Ownership(*)</u>	<u>Indirect</u> <u>Ownership(*)</u>
		<u>Korean won</u> <u>(in millions)</u>	<u>U.S. dollars</u> <u>(Note 2)</u> <u>(in thousands)</u>			
Domestic Subsidiaries:						
Kia Motors Corporation (Kia)	Manufacturing	₩3,148,594	\$ 2,374,326	170,465,491	46.12	HCS 9.79%
Hyundai HYSCO (formerly Hyundai Pipe Co., Ltd.)	"	810,512	611,200	44,308,868	49.54	Kia 21.57%, HCS 4.54%

		Shareholders' equity as of December 31, 2001				
		U.S. dollars		Shares(*)	Percentage Ownership(*)	Indirect Ownership(*)
Business	Korean won (in millions)	(Note 2) (in thousands)				
ROTEM (formerly Korea Rolling Stock Co.)	"	₩ 203,466	\$ 153,432	40,306,304	78.36	
KEFICO Corporation	"	105,123	79,272	1,670,000	50.00	
Korea Drive Train System	"	79,471	59,928	16,010,000	80.05	Kia 30.12%
Hyundai Powertech	"	73,949	55,764	16,000,000	100.00	Kia 50.00%
WIA Corporation (WIA)	"	73,090	55,117	6,949,476	90.60	Kia 45.30%
Bontek	"	22,376	16,874	390,000	39.00	Kia 39.00%
Korea Precision Co., Ltd	"	14,645	11,044	4,708,000	50.20	WIA 50.20%
WISCO	"	645	486	301,725	50.30	WIA 50.30%
Hyundai Capital Service Inc. (HCS)	Financing service	464,103	349,976	51,342,000	85.57	
e-HD.com	Information service	4,440	3,348	1,614,200	80.71	Kia 27.00%, HCS 4.41%
Cheju Dynasty Co., Ltd	Real Estate Develop.	7,538	5,684	2,790,000	90.00	Kia 40.00%
Foreign Subsidiaries:						
Hyundai Motor India (HMI)	Manufacturing	317,127	239,143	8,127,785	100.00	
Hyundai-Assan Otomotiv Sanayi Ve Ticaret Anonim Sirketi (HAOSVT)	"	48,643	36,681	34,505,731,715	63.29	
Hyundai de Mexico,S.A. de C.V. (HYMEX)	"	2,599	1,960	9,996	99.96	HT 100.00%
Hyundai-Huy Hoang Pipe Company Limited	"	(4,198)	(3,166)	-	64.64	HYSCO 64.64%
Hyundai Motor America (HMA)	Sales	258,369	194,834	1,275	100.00	
Hyundai Motor Japan Co. (HMJ)	"	(12,645)	(9,535)	20,000	100.00	
Hyundai Motor Poland Sp. Zo.O (HMP)	"	1,602	1,208	-	100.00	
Hyundai Translead (HT, formerly Hyundai Precision America Inc.)	"	218,192	164,537	599,000	100.00	
Hyundai Machine Tool Europe GmbH (HYME)	"	12,115	9,136	-	100.00	
Hyundai America Technical Center Inc. (HATCI)	R & D	12,276	9,257	700	100.00	
Kia Japan Co., Ltd. (KJC)	Sales	23,598	17,795	85,800	100.00	Kia 100.00%
Kia Motors America Inc. (KMA)	"	36,976	27,883	1,000,000	100.00	Kia 100.00%
Kia Motors Deutschland GmbH (KMD)	"	(16,892)	(12,738)	39,000	100.00	Kia 100.00%
Kia Motors Polska Sp.z.o.o. (KMP)	"	620	468	15,637	99.60	KMD 99.60%
Kia Canada, Inc. (KCI)	"	(406)	(306)	6,298	100.00	Kia 82.5%, KMA 17.5%
Hyundai Pipe of America, Inc.	"	3,707	2,795	125,000	100.00	HYSCO 100%

	Business	Shareholders' equity as of December 31, 2001		Shares(*)	Percentage Ownership(*)	Indirect Ownership(*)
		Korean won (in millions)	U.S. dollars (Note 2) (in thousands)			
Kia Heavy Industries U.S.A., Corp.	Sales	₩ 837	\$ 631	-	100.00	WIA 100.00%
Hyundai Motor Finance Company (HMFC)	Financing service	139,553	105,236	750	100.00	HMA 100.00%
Sevenwood Property Inc.	Real Estate rent	1,179	889	4,088,071	100.00	HMA 100.00%

(*) Shares and ownership are calculated by combining the shares and ownership, which the Company and its subsidiaries hold as of December 31, 2001. Indirect ownership represents subsidiaries' holding ownership.

Among the consolidated domestic subsidiaries, Kia and Hyundai HYSCO have been listed on the Korea Stock Exchange, and WIA Corporation, WISCO and Bontek are under composition with creditors according to the Composition Act.

In 2001, the Company added seven domestic companies including ROTEM (formerly Korea Rolling Stock Co.) and four overseas companies including Hyundai-Assan Otomotiv Sanayi Ve Ticaret Anonim Sirketi to its consolidated subsidiaries. The details of these changes in the scope of consolidation are as follows:

- (1) ROTEM (formerly Korea Rolling Stock Co.), Hyundai-Assan Otomotiv Sanayi Ve Ticaret Anonim Sirketi, Hyundai Pipe of America, Inc. and Hyundai-Huy Hoang Pipe Company Limited whose equity securities had been accounted for using the equity method in prior year are included in consolidation mainly due to the increase in the Company's and its subsidiaries' ownership.
- (2) Cheju Dynasty Co., Ltd, which had not been included in the consolidation nor accounted for using the equity method in prior year, is included in 2001 consolidation since its individual total assets at the end of the preceding year exceeded the required level of ₩7,000 million (\$5,557 thousand).
- (3) Hyundai Powertech, WIA Corporation, WISCO, Korea Precision Co., Ltd, Bontek and Kia Heavy Industries U.S.A., Corp. are included in the consolidation due to the new acquisition of ownership enabling the Company and its subsidiaries to exercise substantial control.

The inclusion of the individual accounts of the subsidiaries mentioned above in the Company's 2001 consolidated financial statements increased the Company's consolidated assets and revenues by ₩2,426,041 million (\$1,829,456 thousand) and ₩715,047 million (\$539,210 thousand), respectively and decreased consolidated net income and shareholders' equity by ₩6,275 million (\$4,732 thousand) and ₩2,464 million (\$1,858 thousand), respectively, as compared to the results using the previous scope of consolidation.

In 2001, Kia Motors Europe GmbH, which is an indirect subsidiary through investment of Kia, one of the Company's domestic subsidiaries, merged with Kia Motors Deutschland GmbH, another subsidiary, and changed its name to Kia Motors Deutschland GmbH. Also, the Company excluded Hyundai Motor Europe Pars in its consolidated subsidiaries as of December 31, 2001 due to the disposal of investments.

Goodwill and negative goodwill related to the consolidated subsidiaries computed as the difference between the acquisition cost and the Company's portion of the subsidiaries' net equity at the date when the Company obtained control over the subsidiaries, is ₩343,704 million (\$259,184 thousand) and ₩118,225 million (\$89,152 thousand) as of December 31, 2001, respectively, and 325,499 million (\$245,456 thousand) and ₩17,508 million (\$13,203 thousand) as of December 31, 2000, respectively, net of accumulated amortization.

Beginning in 1997, Korea and other countries in the Asia Pacific region experienced a severe contraction in substantially all aspects of their economies. This situation is commonly referred to as the 1997 Asian Financial crisis. In response to this situation, the Korean government and the private sector began implementing structural reforms to historical business practices.

The Korean economy continues to experience difficulties, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The banking industry is currently undergoing consolidation and uncertainty exists with regard to the continued availability of financing. The Company and its subsidiaries may be either directly or indirectly affected by the situation described above. The accompanying consolidated financial statements reflect management's current assessment of the impact to date of the economic situation on the financial position of the Company and its subsidiaries. Actual results may differ materially from management's current assessment.

2. Summary of Significant Accounting Policies

Basis of Consolidated Financial Statement Presentation

The Company maintains its official accounting records in Korean won and prepares statutory consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured, and translated into English from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying financial statements.

The U.S. dollar amounts presented in these financial statements were computed by translating the Korean won into U.S. dollars based on the Bank of Korea Basic Rate of ₩1,326.10 to US\$1.00 at December 31, 2001, solely for the convenience of the reader. This convenience translation into US dollars should not be construed as a representation that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

The significant accounting policies followed by the Company in the preparation of its consolidated financial statements are summarized below.

Principles of Consolidation

The consolidated financial statements include the individual accounts of the Company and its domestic and foreign subsidiaries over which the Company has control, is the largest shareholder and owns more than 30 percent of the voting shares, except for companies with total assets of less than ₩7,000 million (\$5,279 thousand) at the end of the preceding fiscal year. Investments in affiliates in which the Company is able to exercise significant influence over the operating and financial policies are accounted for using the equity method. Significant influence is deemed to exist when the investor owns more than twenty percent of the investee's voting shares unless there is evidence to the contrary. If the changes in the investment value due to the changes in the net assets of affiliates, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (\$5,279 thousand), are not material, investments in affiliates can be excluded from using the equity method.

Investments of the parent company and shareholders' equity accounts of subsidiaries are eliminated at the dates the Company obtained control of the subsidiaries. The difference between the acquisition cost of investments and the ownership portion of the subsidiary's equity is recorded either as goodwill or as negative goodwill. However, such difference resulting from the additional acquisition of ownership after acquisition of substantial control over the subsidiary is accounted for as capital surplus.

Unrealized profits and losses on intercompany sales of products, property or other assets are eliminated in the consolidated financial statements based on the gross profit or loss recognized. On sales from the Company to subsidiaries (downstream sales), the full amounts of intercompany profit or loss are eliminated in the consolidated income. On upstream sales, the profits and losses are allocated proportionately between majority and minority interests.

Revenue Recognition

Revenue, including long-term installment sales, is recognized upon shipment of goods. Interest income arising from long-term installment sales is recognized using the level yield method.

Valuation of Marketable Securities

Marketable securities are stated at fair value. The difference between book value and fair value is recognized in current operations.

Allowance for Doubtful Accounts

The Company provides an allowance in doubtful accounts based on management's estimate of the collectibility of receivables.

Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined by the moving average cost method.

Valuation of Investments Securities

Equity securities held for investment (excluding those accounted for using the equity method discussed in the next paragraph) that are not actively traded (unlisted security) are stated at acquisition cost, as determined by the moving average method. Actively quoted (listed) securities, including those traded over-the-counter, are stated at fair value, with the resulting valuation gain or loss reported as a capital adjustment within shareholders' equity. If the fair value of a listed equity security or the net equity value of an unlisted security held for investment declines compared to acquisition cost and is not expected to recover (impaired investment security), the carrying value of the equity security is adjusted to fair value or net equity value, with the resulting valuation loss charged to current operations. If the net equity value or fair value subsequently recovers, in the case of an unlisted security, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, and in the case of a listed security, the increase in value is recorded in capital adjustments.

Equity securities held for investment that are in companies in which the Company is able to exercise significant influence over the operating and financial policies of the investees are accounted for using the equity method. The Company's share in the net income or net loss of investees is reflected in current operations. Changes in the retained earnings or other capital accounts of investees are accounted for as an adjustment to consolidated retained earnings or to consolidated capital adjustment.

Debt securities held for investment are classified as either held-to-maturity investment debt securities or available for sale investment debt securities at the time of purchase. Held-to-maturity debt securities are stated at acquisition cost, as determined by the moving average method. When the face value of a held-to-maturity investment debt security differs from its acquisition cost, the effective interest method is applied to amortize the difference over the remaining term of the security. Available-for-sale investment debt securities are stated at fair value, resulting valuation gain or loss reported as a consolidated capital adjustment within shareholder' equity. However, if the fair value of a held-to-maturity or an available-for-sale investment debt security declines compared to the acquisition cost and is not expected to recover (impaired investment security), the carrying value of the debt security is adjusted to fair value, with the resulting valuation loss charged to current operations. If the fair value of the security subsequently recovers, in the case of a held-to-maturity debt security, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, and in the case of an available-for-sale debt security, the increase in value is recorded in capital adjustments.

The lower of the acquisition cost of investments in treasury stock funds and the fair value of treasury stock included in a fund is accounted for as treasury stock in consolidated capital adjustments.

Property, Plant and Equipment and Related Depreciation

Property, plant and equipment are recorded at cost, except for assets revalued upward in accordance with the Asset Revaluation Law of Korea. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the enhancement of the value or extension of the useful lives of the facilities involved are treated as additions to property, plant and equipment.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Useful lives (years)</u>
Buildings and structures	2 – 60
Machinery and equipment	2 – 21
Vehicles	3 – 6
Dies and molds	4 – 6
Tools	5 – 6
Other equipment	3 – 10

As of April 1, 2001, HMI changed the useful life of molds from six years to four years. This change increased the depreciation cost by ₩10,927 million (\$ 8,240 thousand) as compared to the results using previous useful life. As of January 1, 2001, HAOSVT changed the useful life of machinery and equipment from ten years to fifteen years and of molds from two years to five years. These changes decreased the depreciation cost by ₩9,012 million (\$ 6,796 thousand) as compared to the results using previous useful life.

The Company and subsidiaries capitalize interest as part of the cost of constructing major facilities and equipment. The amount of capitalized interest is ₩103,083 million (\$77,734 thousand) and ₩134,019 million (\$101,063 thousand) in 2001 and 2000, respectively.

Intangibles

Intangible assets are stated at cost, net of amortization computed using the straight-line method over the economic useful lives of related assets (5 – 20 years). Development costs are amortized over the estimated economic useful life (not to exceed 5 years) from the date of usage of the related products using the straight-line method. Ordinary development and research expenses are charged to current operations as selling and administrative expense. Cost in excess of net identifiable assets acquired is amortized over 20 years, using the straight-line method.

Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term installment transactions, long-term cash loans (borrowings) and other similar loan (borrowing) transactions are stated at present value, if the difference between nominal value and present value is material. The present value discount is amortized using the effective interest rate method. As of December 31, 2001 and 2000, effective interest rate are 10.0 percent and 11.8 percent, respectively.

Restructuring of Receivables and Payables

If principal, interest rate or repayment period of receivables is changed unfavourably for the Company by the court imposition such as commencement of reorganization or by mutual agreements and the difference between nominal value and present value is material, such difference is recorded in other expense as provision for doubtful accounts. The difference is amortized using the effective interest method, with the amortization included in interest income or interest expense.

Discount on Debentures

Discount on debentures, which is the difference between the issued amount and the face value of debenture, is presented as a deduction from the face value of debentures and amortized over the redemption period of the debenture using the effective interest rate method. Amortization of discount is recognized as interest expense on the debenture.

Accrued Severance Benefits

Employees and directors of the Company and its subsidiaries are entitled to receive a lump-sum payment upon termination of their service based on the applicable severance plan of each company. The accrued severance benefits which would be payable assuming all eligible employees of the Company and its domestic subsidiaries terminated their employment as of December 31, 2001 and 2000 amounts to ₩2,143,955 million (\$1,616,737 thousand) and ₩1,942,194 million (\$1,464,591 thousand), respectively.

Accrued severance benefits are funded through a group severance insurance plan and individual severance insurance plan. The group severance insurance deposits under this insurance plan are classified as other assets. Subsequent provisions are funded at the discretion of the Company. Group severance insurance deposits may only be withdrawn for the payment of severance benefits. Individual severance insurance deposits, of which a beneficiary is a respective employee, are presented as deduction from accrued severance benefits. Actual payments of severance benefits amounted to ₩288,906 million (\$217,861 thousand) and ₩222,707 million (\$167,941 thousand) in 2001 and 2000, respectively.

Accrued Warranties and Product Liabilities

The Company and its subsidiaries generally provide a warranty to the ultimate consumer with each product and accrues warranty expense at the time of sale based on actual claims history. Also, the Company accrues potential expenses, which may occur due to product liabilities suits and voluntary recall campaign pending as of the balance sheet date. Actual costs incurred are charged against the accrual when paid.

Before 2001, HMA and KMA had accrued overall warranty expense including parts sold to dealers at the time of vehicle sales as well as vehicle parts. However, in 2001, HMA and KMA changed their method in estimating accrual of parts warranty expense. These changes increased consolidated net income by ₩ 47,252 million (\$ 35,632 thousand).

Stock Options

The Company and its subsidiaries compute total compensation expense to stock options, which are granted to employees and directors, by fair value method using the option-pricing model. The compensation expense has been accounted for as a charge to current operations and a credit to capital adjustment from the grant date using the straight-line method.

Derivative Instruments

All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations. The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge.

Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations.

Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

The Company and its domestic subsidiaries entered into derivative instrument contracts related to forward, option and swap to hedge the exposure to changes in foreign exchange rate. The Company and its subsidiaries accounted for the loss on valuation of the effective portion of derivative instruments for cash flow hedging purpose from forecast exports as capital adjustments, amounting to ₩16,377 million(\$12,350 thousand) and ₩65,717 million (\$49,557 thousand) as December 31, 2001 and 2000, respectively. The Company and its subsidiaries recognized loss on valuation of the ineffective portion of such derivative instruments and the other derivative instruments in current operations.

Deferred gain on valuation of derivative in other assets and accrued loss on valuation of derivative as of December 31, 2001 amount to ₩168 million (\$127 thousand) and ₩62,382 million(\$47,042 thousand), respectively. Accrued loss on valuation of derivative as of December 31, 2000 amounts to ₩178,787 million(\$134,822 thousand).

Accounting for Foreign Currency Transaction and Translation

The Company and its domestic subsidiaries maintain their accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction dates. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying consolidated financial statements at the exchange rates prevailing at the balance sheet dates. The balances have been translated using the Bank of Korea Basic Rate, which was ₩1,326.10 and ₩1,259.70 to US\$1.00 at December 31, 2001 and 2000, respectively, and translation gains or losses is reflected in current operations.

Assets and liabilities of subsidiaries outside the Republic of Korea are translated at the rate of exchange in effect at the balance sheet dates; income and expenses of subsidiaries are translated at the average rates of exchange prevailing during the year, which was ₩1,291.00 and ₩1,130.50 to US\$1.00 in 2001 and 2000, respectively. Cumulative translation debits or credits, which occurred in the translations of financial statements of foreign subsidiaries and branch, are recorded as capital adjustments.

Income Tax Expense

Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax debits (credits).

Earnings Per Share

Primary earnings per share is computed by dividing net income, after deduction for expected dividends on preferred stock, by the weighted average number of common shares. The number of shares used in computing earnings per common share is 215,692,671 in 2001 and 199,249,370 in 2000. Earnings per diluted share is computed by dividing net income, after deduction for expected dividends on preferred stock and addition for the effect of expenses related to dilutive securities on net income, by the number of the weighted average number of common shares plus the dilutive potential common shares. The number of shares used in computing diluted earnings per diluted share is 216,110,199 and 202,736,308 in 2001 and 2000, respectively. However, there is no dilution effect in 2001.

Reclassifications

For comparative purposes, certain accounts in the consolidated subsidiaries' financial statements were reclassified to conform to the Company's financial statement presentation. Such reclassifications had no effect on the net income or the net equity reported in the consolidated subsidiaries' financial statements. Assets and liabilities in the financial industry are classified by method of current arrangement. When method of current arrangement is impossible, assets and liabilities are classified to other financial assets and liabilities.

3. Inventories

Inventories as of December 31, 2001 and 2000 consist of the following:

Accounts	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Raw materials and supplies	₩ 548,246	₩ 433,645	\$ 413,427	\$ 327,008
Semi finished goods and work in process	395,171	355,824	297,995	268,324
Finished goods and merchandise	2,285,934	2,893,726	1,723,802	2,182,133
Materials in transit	529,464	187,239	399,264	141,195
Other	29,112	21,856	21,953	16,481
	<u>₩ 3,787,927</u>	<u>₩3,892,290</u>	<u>\$ 2,856,441</u>	<u>\$ 2,935,141</u>

4. Marketable Securities and Investments

(1) Marketable securities as of December 31, 2001 and 2000 consist of the following:

Description	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Beneficiary certificates	₩ 791,518	₩ 378,188	\$ 596,876	\$ 285,188
Debt securities	<u>75,003</u>	<u>80,317</u>	<u>56,560</u>	<u>60,566</u>
	<u>₩ 866,521</u>	<u>₩ 458,505</u>	<u>\$ 653,436</u>	<u>\$ 345,754</u>

As of December 31, 2001, Kia pledged certain marketable securities of ₩9,749 million (\$ 7,352 thousand) as collateral for the foreign currency forward contracts and certain borrowings.

(2) Investments securities as of December 31, 2001 and 2000 consist of the following:

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Equity securities accounted for using the equity method	₩ 379,708	₩ 268,652	\$ 286,334	\$ 202,588
Marketable equity securities	555,583	181,465	418,960	136,841
Unlisted equity securities	230,281	302,676	173,653	228,245
Debt securities	<u>577,670</u>	<u>295,085</u>	<u>435,616</u>	<u>222,521</u>
	<u>₩1,743,242</u>	<u>₩1,047,878</u>	<u>\$1,314,563</u>	<u>\$ 790,195</u>

(3) Equity securities accounted for using the equity method as of December 31, 2001 and 2000 consist of the following:

Description	Percentage Ownership(*2)	Book value				
		Korean won (in millions)		U.S. dollars (Note 2) (in thousands)		
		2001	2000	2001	2000	
Kia Tigers Co., Ltd. (*1)	100.00	₩ 20,300	₩ 18,212	₩ -	\$ 13,734	\$ -
HMJ R&D (*1)	100.00	1,510	1,975	-	1,489	-
First CRV	50.00	169,560	175,512	-	132,352	-
Daimler Hyundai Truck Co., Ltd.	50.00	50,000	49,523	-	37,345	-
Hyundai-Kia-Yueda Motor Company	50.00	8,857	259	4,981	195	3,756
Korea Space & Aircraft Co., Ltd.	33.33	129,800	72,720	59,308	54,838	44,724

Description	Percentage Ownership(*2)	Book value					
		2001		Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
		Historical cost	2001	2000	2001	2000	
PT. KIA Timor Motors (*1)	30.00	₩ 26,667	₩ 10,478	₩ 10,729	\$ 7,901	\$ 8,091	
TRW Steering Co., Ltd.	29.00	8,952	8,952	-	6,751	-	
Korea Economy Daily	22.75	19,973	17,633	19,258	13,297	14,522	
Wuhan Grand Motor Co., Ltd.	21.43	5,502	8,359	7,933	6,303	5,982	
Iljin Forging Co., Ltd.	20.00	826	11,283	9,535	8,508	7,190	
Daesung Automotive Co., Ltd.	20.00	400	4,802	4,481	3,621	3,379	
ROTEM (formerly Korea Rolling Stock Co.)	-	-	-	83,103	-	62,667	
HAOSVT (Turkey)	-	-	-	35,804	-	27,000	
Hyundai Pipe of America, Inc.	-	-	-	349	-	263	
Hyundai-Huy Hoang Pipe Company Limited	-	-	-	-	-	-	
Beijing Hyundai Namyang Real Estate Development Center Ltd.	-	-	-	10,689	-	8,061	
Hyundai Space & Aircraft Co., Ltd.	-	-	-	22,482	-	16,953	
		<u>₩ 442,347</u>	<u>₩ 379,708</u>	<u>₩ 268,652</u>	<u>\$ 286,334</u>	<u>\$ 202,588</u>	

(*1) These companies are excluded in the consolidation since individual beginning balance of total assets is less than ₩7,000 million.

(*2) Percentage ownership is calculated by combining the ownership of the Company and its subsidiaries.

Since the net asset value of Asia Motors Do Brasil SA (AMB), of which Kia holds 51 percent of ownership, has declined and is not expected to recover, the difference between the book value and the fair value was charged to operations in 1998 as an impairment loss of investment securities. In addition, AMB is excluded from the application of the equity method because AMB has been under suspension of business for more than one year and net value is lower than the acquisition cost of investment securities.

The Company and its subsidiaries amortizes (reverses) goodwill (negative goodwill), which occurred in applying the equity method, using the straight-line method. The unamortized balance of goodwill is ₩5,272 million (\$3,976 thousand), and ₩12,290 million (\$9,268 thousand) as of December 31, 2001 and 2000, respectively, net of accumulated amortization.

In 2001, the equity securities in Kia Tigers Co., Ltd., HMJ R&D, Daimler Hyundai Truck Co., Ltd., First CRV and TRW Steering Co., Ltd. were newly accounted for using the equity method mainly due to acquisition of ownership. This addition of equity securities accounted for using the equity method increased the consolidated shareholders' equity by ₩444 million (\$335 thousand) in 2001.

In 2001, among the equity securities accounted for using the equity method in 2000, Beijing Hyundai Namyang Real Estate Development Center Ltd. and Hyundai Space & Aircraft Co., Ltd were excluded from the application of equity method mainly due to disposal of investments. ROTEM (formerly Korea Rolling Stock Co.), HAOVST, Hyundai Pipe of America, Inc. and Hyundai-Huy Hoang Pipe Company Limited are included in the consolidation in 2001 mainly due to the increase in the Company's and its subsidiaries' ownership (see Note 1).

Marketable investments that are excluded from the consolidation and the application of the equity method as of December 31, 2001 consist of the following:

Companies	Korea won (in millions)		U.S. dollars (Note 2) (in thousands)		Percentage Ownership(*)
	Historical cost	Book value	Book value		
Hyundai MOBIS	₩ 83,102	₩ 298,207	\$ 224,875		19.98
Korea Industrial Development Co., Ltd.	19,854	6,144	4,633		12.72
INI Steel	72,719	60,327	45,492		12.55

Companies	Korea won (in millions)		U.S. dollars (Note 2) (in thousands)		Percentage Ownership(*)
	Historical cost	Book value	Book value		
Saehan Media	₩ 2,009	₩ 1,687	\$ 1,272		10.01
Jin Heung Mutual Savings & Finance Co., Ltd.	2,000	880	664		9.01
Comet Savings & Finance Co., Ltd.	2,700	1,709	1,289		9.00
Hyundai Heavy Industries Co., Ltd.	59,004	57,431	43,308		2.99
Hyundai Corporation	13,626	3,498	2,638		2.99
Hyundai Information Technology Co., Ltd.	10,000	3,593	2,709		2.21
LG Telecom.Co., Ltd.	19,851	30,682	23,137		1.28
Chohung Bank	62,463	28,277	21,323		1.10
Korea Investment Corporation	190	97	73		0.95
Hyundai Merchant Marine Co., Ltd.	7,329	1,400	1,056		0.55
Kia Steel Co., Ltd.	96	130	98		0.52
Hyundai Engineering & Construction Co., Ltd	13,332	8,666	6,535		0.42
Kanglim Specific Equipment Automotive Co., Ltd.	346	120	90		0.38
Prochips Technology Inc.	905	905	682		0.27
DongYang Investment Bank	283	45	34		0.23
Treasury Stock Funds	24,021	10,371	7,821		-
Stock Market Stabilization Fund	32,963	41,414	31,231		-
	<u>₩ 426,793</u>	<u>₩ 555,583</u>	<u>\$ 418,960</u>		

(*) Percentage ownership is calculated by combining the ownership of the Company and its subsidiaries.

Marketable investments that are excluded from the consolidation and the application of the equity method as of December 31, 2000 consist of the following:

Companies	Korea won (in millions)		U.S. dollars (Note 2) (in thousands)		Percentage Ownership(*)
	Historical cost	Book value	Book value		
Hyundai Mobis Co., Ltd.	₩ 79,751	₩ 78,654	\$ 59,312		19.99
Jin Heung Mutual Savings & Finance Co., Ltd.	2,000	496	374		9.01
Comet Savings & Finance Co., Ltd.	2,700	999	753		9.00
Inchon Iron & Steel Co., Ltd.	60,425	22,838	17,222		4.70
Aluminum of Korea Co., Ltd.	20,000	11,600	8,747		3.08
Hyundai Corporation	13,626	1,807	1,363		2.99
Hyundai Information Technology Co., Ltd.	10,000	2,587	1,951		2.21
Kia Steel Co., Ltd.	96	100	75		1.36
Chohung Bank	62,463	11,406	8,601		1.10
LG Telecom.Co., Ltd.	3,491	2,037	1,536		0.59
Hyundai Merchant Marine Co., Ltd.	7,329	1,714	1,293		0.55
Kanglim Specific Equipment Automotive Co., Ltd.	347	116	87		0.38
Hyundai Heavy Industries Co., Ltd.	4,966	5,080	3,831		0.36
Treasury Stock Funds	39,794	14,524	10,952		-
Stock Market Stabilization Fund	47,906	27,387	20,652		-
Other	1,419	120	92		-
	<u>₩ 356,313</u>	<u>₩ 181,465</u>	<u>\$ 136,841</u>		

(*) Percentage ownership is calculated by combining the ownership of the Company and its subsidiaries.

Marketable investment equity securities are stated at fair value and the differences between the acquisition costs and fair value are recorded in capital adjustments (see Note 15).

Non-listed investments that are excluded from the consolidation and the application of the equity method as of December 31, 2001 consist of the following:

Companies	Korea won (in millions)		U.S. dollars (Note 2) (in thousands)		Percentage Ownership(*2)
	Acquisition cost	Book value	Book value		
Hyundai Motor Europe GmbH (*1)	₩ 5,590	₩ 5,590	\$ 4,215		100.00
Yan Ji Kia Motors A/S (*1)	1,792	1,792	1,351		100.00
Hyundai Capital Asset Management Co., Ltd. (*1)	2,000	2,000	1,508		99.99
Hyundai Jingxian Motor Safeguard Service Co., Ltd. (*1)	2,019	2,019	1,523		84.88
NGVTEK.com (*1)	700	700	528		68.30
Autoever Co., Ltd. (*1)	2,495	2,495	1,881		49.90
Kia Service Philippines Co. (*1)	185	185	140		20.00
Dongyong Industries Co., Ltd	240	240	181		19.23
Mobil Com.Co., Ltd.	1,800	1,800	1,357		18.07
Jinil MVC Co., Ltd.	180	180	136		18.00
Industri Otomotif Komersial Korea Automotive Powertrain Engineering Co.	4,439	4,439	3,347		15.00
	150	150	113		15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	3,386		14.97
Hyundai Unicorns Co., Ltd.	5,795	5,795	4,370		14.90
Hyundai Research Institute	1,271	1,271	958		14.90
Gyeongnam Credit Guarantee Foundation	2,500	2,500	1,885		13.66
Kihyup Finance, Inc.	3,700	3,700	2,790		12.75
Norrinet Co., Ltd	34	34	26		12.14
SoltechIM Co., Ltd	157	157	118		12.08
3Gcore, Inc	225	225	170		10.90
Yonhap Capital Co., Ltd.	10,500	10,500	7,918		10.47
Machinery Insurance Cooperative	3,070	3,070	2,315		10.38
Hyundai Motor Deutschland GmbH	802	802	605		10.00
Hyundai Finance Corporation	9,888	9,888	7,456		9.29
Daewoo Heavy Industries & Machinery Ltd.	650	650	490		9.29
A.P. Co., Ltd.	550	550	415		9.20
Namyang Industrial Co., Ltd.	200	200	151		8.00
KOENTECH(formerly Ulsan Environmental Development)	1,550	1,550	1,169		7.75
Internet Hankyoreh Inc.	4,800	4,800	3,620		7.41
Hyundai Oil refinery Co., ltd.	78,134	78,134	58,920		6.33
Hyundai Asan Corporation	22,500	22,500	16,967		5.00
Yonhi Information & Communication Co., Ltd.	500	500	377		4.90
Dongwon Capital Co., Ltd.	3,000	3,000	2,262		4.62
Biomecha Ltd	100	100	75		4.00
U.S Electrical Inc.	2,204	2,204	1,662		3.80
ROTIS	1,000	1,000	754		3.76
Q&V Korea	400	400	302		3.70
Daishin Factoring Co., Ltd	2,000	2,000	1,508		3.33
Jeonbuk corporation	100	100	75		2.84
Korea Auto Industries Coop Association	11	11	8		2.60
ICOLS Inc.	160	160	121		2.50

Companies	Korea won (in millions)		U.S. dollars (Note 2) (in thousands)		Percentage Ownership(*2)
	Acquisition cost	Book value	Book value		
Alcan Taihan Aluminum Ltd.	₩ 30,815	₩ 21,003	\$ 15,838		1.26
I-COM	18,000	18,000	13,574		1.00
Kyongnam Shinmun Co., Ltd	50	33	25		0.63
Shinsegi Telecom Co.	837	837	631		0.41
Other	8,511	8,527	6,432		
	<u>₩ 240,094</u>	<u>₩ 230,281</u>	<u>\$ 173,653</u>		

(*1) The equity securities of these affiliates were excluded from using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million, are not material.

(*2) Percentage ownership is calculated by combining the ownership of the Company and its subsidiaries.

Non-listed investments that are excluded from the consolidation and the application of the equity method as of December 31, 2000 consist of the following:

Companies	Korea won (in millions)		U.S. dollars (Note 2) (in thousands)		Percentage Ownership(*2)
	Acquisition cost	Book value	Book value		
Hyundai Motor Europe GmbH(*1)	₩ 5,590	₩ 5,590	\$ 4,215		100.00
Yan Ji Kia Motors A/S (*1)	1,792	1,792	1,351		100.00
HMJ R&D Center Inc. (*1)	1,510	1,510	1,139		100.00
Hyundai Motor Shanghai Co., Ltd. (*1)	741	741	559		100.00
Cheju Dynasty Co., Ltd.(*1)	5,670	5,670	4,276		90.00
Hyundai Jingxian Motor Safeguard Service Co., Ltd. (*1)	2,019	2,019	1,523		84.88
NGVTEK.com(*1)	700	700	528		68.30
Autoever Co., Ltd. (*1)	2,495	2,495	1,881		49.90
Kia Service Philippines Co.	185	185	140		20.00
Dongyong Industries Co., Ltd	241	241	182		19.23
Mobil Com.Co., Ltd.	1,800	1,800	1,357		18.73
Jinil MVC Co., Ltd.	180	180	136		18.00
Industri Otomotif Komersial	4,439	4,439	3,347		15.00
Kia-Ihlas Motors A. S	45	45	34		15.00
Hyundai Petro-Chemical Co., Ltd.	88,163	88,163	66,483		14.99
Hyundai Technology Investment Co., Ltd.	4,490	4,490	3,386		14.97
Hyundai Unicorns Co., Ltd.	5,795	5,795	4,370		14.90
Hyundai Research Institute	1,271	1,271	958		14.90
Hyundai Life Insurance Co., Ltd.	17,370	-	-		14.90
Kihyup Finance, Inc.	3,700	3,700	2,790		12.75
Hyundai Motor Deutschland GmbH	738	738	557		10.00
Yonhap Capital Co., Ltd.	10,000	10,000	7,541		9.99
Hyundai Finance Corporation	9,888	9,888	7,456		9.29
Namyang Industrial Co., Ltd.	200	200	151		8.00
Memory & Testing Co., Ltd.	6,000	6,000	4,525		7.81
Ulsan Environmental Development	1,550	1,550	1,169		7.75
Internet Hankyoreh Inc.	4,800	4,800	3,620		7.41
Hyundai Oil refinery Co., Ltd.	78,134	78,134	58,920		6.33
Hyundai Asan Corporation	22,500	22,500	16,967		5.00
Dongwon Finance, Inc.	3,000	3,000	2,262		4.62

Companies	Korea won (in millions)		U.S. dollars (Note 2) (in thousands)		Percentage Ownership(*2)
	Acquisition cost	Book value	Book value		
Festec Co., Ltd.	₩ 4,000	₩ 4,000	\$ 3,016		4.40
U.S Electrical Inc.	2,204	2,204	1,662		3.80
Daishin Factoring Co., Ltd	2,000	2,000	1,508		3.33
Korea Management Association Consultants	92	92	69		2.44
Machinery Insurance Cooperative	30	30	23		0.47
Shinsegi Telecom Co.	837	837	631		0.27
Alcan Taihan Aluminum Ltd.	13,625	13,625	10,274		0.14
Other	12,252	12,252	9,239		
	<u>₩ 320,046</u>	<u>₩ 302,676</u>	<u>\$ 228,245</u>		

(*1) The equity securities of these affiliates were excluded from using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million, are not material.

(*2) Percentage ownership is calculated by combining the ownership of the Company and its subsidiaries.

Unlisted investment equity securities are stated at cost, except where an investee's net equity value has declined and is not expected to recover.

Total net equity value of unlisted investment equity securities, which the Company and its subsidiaries hold as of December 31, 2001 and 2000, amounts to ₩208,891 million (\$157,523 thousand) and ₩407,604 million (\$307,370 thousand), respectively, based on the investees' latest individual financial statements.

Debt securities as of December 31, 2001 and 2000 consist of the following:

	Korea won (in millions)	Book value			
		Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
		Historical cost	2001	2000	2001
Securities finance bonds	₩ 228,937	₩ 228,937	₩ -	\$ 172,639	\$ -
Overseas debentures	177,019	181,976	59,267	137,226	44,693
Subordinated debt	99,764	101,458	126,058	76,509	95,059
Non-guaranteed debentures	33,239	33,239	32,916	25,065	24,822
Private bonds	33,582	15,329	13,260	11,559	9,999
Convertible bonds	-	-	33,903	-	25,566
Other	17,903	16,731	29,681	12,618	22,382
	<u>₩ 590,444</u>	<u>₩ 577,670</u>	<u>₩ 295,085</u>	<u>\$ 435,616</u>	<u>\$ 222,521</u>

In 2000, the Company disposed of its investments in Aluminum of Korea Co., Ltd. (13,098,726 shares), Hyundai Technology Investment Co., Ltd. (2,000 shares), Hyundai Unicorns Co., Ltd. (36,120 shares), Hyundai Research Institute (702,000 shares), Hyundai Petro-Chemical Co., Ltd. (350,000 shares), Hyundai Corporation (2,210,000 shares) and Korea Industrial Development Co., Ltd. (18,951,079 shares) and in debt securities of Hyundai Petro-Chemical Co., Ltd. and Korea Industrial Development Co., Ltd. for ₩63,044 million (\$47,541 thousand) and recognized an extraordinary loss on disposal of ₩166,215 million (\$125,341 thousand), net of extraordinary gain of ₩3,571 million (\$2,693 thousand).

Investment equity securities of the Company and its domestic subsidiaries pledged as collateral for various borrowings and payables as of December 31, 2001 are as follows:

<u>Company</u>	<u>No. of shares pledged</u>
WIA Coporation	3,474,738
Hyundai Corporation	1,514,841
Machinery Insurance Cooperative	150
Kisan Mutual Saving's & Finance	306,160
Kia Motors Corporation	10,730,000
Hyundai Finance Corporation	810,000
Kia Steel Co., Ltd.	175,100
Korea Defense Industry Association	15,005

5. Leased assets

The Company and its subsidiaries have entered into capital lease agreements for certain machinery and equipment. The lease obligations are included in long-term debt in the accompanying balance sheets. Annual payments on these lease agreements as of December 31, 2001 are as follows (won in millions):

	<u>Financing leases</u>			<u>Operating leases</u>
	<u>Lease Payments</u>	<u>Interest Portion</u>	<u>Lease Obligation</u>	<u>Lease Payments</u>
2002	₩ 130,280	₩ 24,364	₩ 105,916	₩ 43,403
2003	129,854	18,965	110,889	42,318
2004	83,497	16,638	66,859	40,428
2005	67,955	15,334	52,621	18,127
Thereafter	<u>100,324</u>	<u>23,492</u>	<u>76,832</u>	<u>8,685</u>
	<u>₩ 511,910</u>	<u>₩ 98,793</u>	<u>₩ 413,117</u>	<u>₩ 152,961</u>

6. Insured Assets

As of December 31, 2001, certain property, plant and equipment are insured for ₩10,427,169 million (\$7,863,034 thousand) and the Company and its certain subsidiaries carry general insurance for vehicles and workers' compensation and casualty insurance for employees. In addition, the Company and Kia carry products and completed operations liability insurance with a maximum coverage of \$120,000 thousand, with Hyundai Marine & Fire Insurance Co., Ltd..

7. Property, Plant and Equipment

Property, plant and equipment as of December 31, 2001 and 2000 consists of the following:

	<u>Korean won (in millions)</u>		<u>U.S. dollars (Note 2) (in thousands)</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Buildings and structures	₩ 5,007,175	₩ 4,316,951	\$ 3,775,865	\$ 3,255,373
Machinery and equipment	8,103,729	6,866,781	6,110,949	5,178,177
Vehicles	111,248	84,870	83,891	64,000
Tools, Dies and molds	3,277,943	2,806,018	2,471,867	2,115,993
Other equipment	794,554	585,652	599,166	441,635
	17,294,649	14,660,272	13,041,738	11,055,178
Less: Accumulated depreciation	<u>(5,317,325)</u>	<u>(3,892,203)</u>	<u>(4,009,747)</u>	<u>(2,935,075)</u>
	11,977,324	10,768,069	9,031,991	8,120,103
Land	3,848,526	3,212,363	2,902,139	2,422,414
Construction in progress	1,079,647	1,502,783	814,152	1,133,235
	<u>₩ 16,905,497</u>	<u>₩ 15,483,215</u>	<u>\$ 12,748,282</u>	<u>\$ 11,675,752</u>

As of December 31, 2001 and 2000, the value of the land, which the Company and its subsidiaries own domestically, totals ₩2,901,555 million (\$2,188,036 thousand) and ₩2,712,684 million (\$2,045,610 thousand), respectively, in terms of land prices officially announced by the Korean government.

8. Development Costs

Intangibles as of December 31, 2001 and 2000 consist of the unamortized balances of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Goodwill, net	₩ 781,053	₩ 876,181	\$ 588,985	\$ 660,720
Development costs	1,310,142	1,026,242	987,966	773,880
Other	60,040	58,273	45,276	43,943
	<u>₩ 2,151,235</u>	<u>₩ 1,960,696</u>	<u>\$ 1,622,227</u>	<u>\$ 1,478,543</u>

Development costs as of December 31, 2001 and 2000 are as follows:

	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Beginning of the year	₩1,026,242	₩ 532,860	\$ 773,880	\$ 401,825
Addition:				
Expenditures for the year (*)	976,785	726,805	736,584	548,077
Deduction:				
Ordinary development and research expenses	107,067	75,955	80,738	57,277
Amortization	585,818	157,468	441,760	118,745
End of the year	<u>₩1,310,142</u>	<u>₩1,026,242</u>	<u>\$ 987,966</u>	<u>\$ 773,880</u>

(*) Beginning balances of subsidiaries newly consolidated in 2001 amounting to ₩ 35,331 million (\$ 26,643 thousand) are included.

9. Other Assets

Other assets as of December 31, 2001 and 2000 consists of the following:

	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Long-term notes and accounts receivable, net of unamortized discount of ₩10,486 million in 2001 and ₩18,617 million in 2000	₩ 34,053	₩ 23,462	\$ 25,679	\$ 17,692
Lease and rental deposits	313,715	414,698	236,570	312,720
Long-term deposits	302,437	431,586	228,065	325,455
Deferred gain on valuation of derivatives	168	-	127	-
Other	81,034	395,207	61,107	298,022
	<u>₩ 731,407</u>	<u>₩1,264,953</u>	<u>\$ 551,548</u>	<u>\$ 953,889</u>

10. Other Financial Business Assets

Other financial business assets as of December 31, 2001 and 2000 consists of the following:

	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Finance receivables	₩ 4,926,439	₩ 1,420,547	\$ 3,714,983	\$ 1,071,222
Lease receivables	120,287	138,215	90,707	104,227
Other	21,687	18,941	16,354	14,283
	<u>₩ 5,068,413</u>	<u>₩ 1,577,703</u>	<u>\$ 3,822,044</u>	<u>\$ 1,189,732</u>

11. Short-term Borrowings

Short-term borrowings as of December 31, 2001 and 2000 amount to ₩6,748,184 million (\$5,088,744 thousand) and ₩4,145,788 million (\$3,126,301 thousand), respectively, and consist primarily of bank loans and export financing loans with annual interest rates ranging from 0.89 percent to 12.00 percent.

12. Long-term Debt

Long-term debt as of December 31, 2001 and 2000 consists of the following:

	Interest rate (%)	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
		2001	2000	2001	2000
Debentures	3.00 ~ 16.00	<u>₩7,948,036</u>	<u>₩4,686,270</u>	<u>\$ 5,993,542</u>	<u>\$ 3,533,874</u>
Won currency loans					
Capital lease	7.59 ~ 18.70	55,241	34,916	41,657	26,330
Reorganization claims	(*)	942,547	1,262,482	710,766	952,026
Composition obligation	1.00 ~ 13.40	225,396	-	169,969	-
General loans	1.00 ~ 12.10	<u>440,881</u>	<u>210,668</u>	<u>332,464</u>	<u>158,863</u>
		<u>1,664,065</u>	<u>1,508,066</u>	<u>1,254,856</u>	<u>1,137,219</u>
Foreign currency loans					
Capital lease	6.50	357,876	397,313	269,871	299,610
Reorganization claims	(*)	223,563	275,234	168,587	207,551
Composition obligation	5.00	59,786	-	45,084	-
Other	2.91 ~ 9.34	<u>774,099</u>	<u>1,012,925</u>	<u>583,741</u>	<u>763,838</u>
		<u>1,415,324</u>	<u>1,685,472</u>	<u>1,067,283</u>	<u>1,270,999</u>
		11,027,425	7,879,808	8,315,681	5,942,092
Less: Current maturities		<u>(2,768,331)</u>	<u>(2,544,576)</u>	<u>(2,087,573)</u>	<u>(1,918,842)</u>
		<u>₩8,259,094</u>	<u>₩5,335,232</u>	<u>\$ 6,228,108</u>	<u>\$ 4,023,250</u>

(*) 3 year non-guaranteed bond circulating earning rate

Debentures outstanding as of December 31, 2001 and 2000 consist of the following:

	Maturity	Annual Interest rate(%)	Korean won (in millions)		U.S. dollars (Note2) (in thousands)	
			2001	2000	2001	2000
Guaranteed debentures	4 June, 2004	6.08	₩ 29,288	₩ 856,000	\$ 22,086	\$ 645,502
Non-guaranteed Debentures	5 Jan, 2002 - 4 Sep, 2006	4.10 ~ 16.00	6,718,200	3,389,500	5,066,134	2,555,991
Overseas debentures	27 Feb, 2002 - 15 July, 2007	6.19 ~ 9.40	1,211,418	346,418	913,519	261,231
Convertible bonds	29 Nov, 2002 - 31 Dec, 2003	3.00 ~ 3.70	<u>110,478</u>	<u>178,388</u>	<u>83,310</u>	<u>134,521</u>
			8,069,384	4,770,306	6,085,049	3,597,245
	Discount on debentures		<u>(121,348)</u>	<u>(84,036)</u>	<u>(91,507)</u>	<u>(63,371)</u>
			<u>₩ 7,948,036</u>	<u>₩ 4,686,270</u>	<u>\$ 5,993,542</u>	<u>\$ 3,533,874</u>

Convertible bonds as of December 31, 2001 consist of domestic convertible bonds amounting to ₩110,479 million (\$83,311 thousand), which was issued by Hyundai HYSCO, a subsidiary.

The maturities of long-term debt outstanding as of December 31, 2001 are as follows:

	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)	
	Debentures	Won	Foreign	Total	Total
		Currency Loans	Currency Loans		
2002	₩ 2,139,984	₩ 199,142	₩ 435,082	₩ 2,774,208	\$ 2,092,005
2003	2,418,406	402,633	410,268	3,231,307	2,436,699
2004	2,349,813	223,615	227,514	2,800,942	2,112,165
2005	198,915	316,824	112,226	627,965	473,543
Thereafter	<u>962,266</u>	<u>521,851</u>	<u>230,234</u>	<u>1,714,351</u>	<u>1,292,777</u>
	<u>8,069,384</u>	<u>1,664,065</u>	<u>1,415,324</u>	<u>11,148,773</u>	<u>8,407,189</u>
Less: Discount on debentures	<u>(121,348)</u>	-	-	<u>(121,348)</u>	<u>(91,508)</u>
	<u>₩ 7,948,036</u>	<u>₩ 1,664,065</u>	<u>₩ 1,415,324</u>	<u>₩ 11,027,425</u>	<u>\$ 8,315,681</u>

13. Capital Stock

Capital stock as of December 31, 2001 and 2000 consist of the following:

	Authorized	Issued	Par value	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Common stock	450,000,000	219,088,702 shares	₩ 5,000	₩ 1,145,444	\$ 863,769
Preferred stock	150,000,000	65,202,146 shares	5,000	<u>331,011</u>	<u>249,612</u>
				<u>₩ 1,476,455</u>	<u>\$ 1,113,381</u>

The preferred shares are non-cumulative, non-participating and non-voting. Of the total preferred stock issued of 65,202,146 shares as at December 31, 2001, a total of 27,588,281 preferred shares are eligible to receive cash dividends, if declared, equal to that declared for common shares plus an additional 1 percent minimum increase while the dividend rate for the remaining 37,613,865 preferred shares is 2 percent higher than that declared for common shares.

The Company acquired treasury stock after cancellation of Trust Cash Funds as of March 2, 2001 and then, in accordance with the decision of the Board of Directors, retired 10,000,000 common shares in treasury and 1,000,000 preferred shares in treasury, which had additional dividends rate of 1 percent to the rate of common stock on March 5, 2001, using retained earnings.

In September 2000, the Company issued 20,618,000 common shares with a total proceeds of ₩430,916 million (\$324,950 thousand) (at a per share price of ₩20,900(\$15,761)), which includes paid-in capital in excess of par value of ₩327,222 million (\$246,755 thousand) after the deduction of new stock issuance cost, to DaimlerChrysler Aktiengesellschaft (DCAG). Under the agreement with DCAG, the Company shall sell 2,290,800 shares of common stock from the treasury stock to DCAG at a price per share of ₩20,900 as at the earlier of the date of the additional purchase of 2,290,887 shares by the Company and its related parties and the date falling six months from September 2001 when the Company issued common stock as mentioned above.

The Company issued 10,000,000 Global Depository Receipts (GDRs) representing 5,000,000 shares of preferred stock in November 1992, 4,675,324 GDRs representing 2,337,662 shares of preferred stock in June 1995 and 7,812,500 GDRs representing 3,906,250 shares of preferred stock in June 1996, all of which have been listed on the Luxembourg Stock Exchange.

In the second half of 1999, the Company issued 45,788,000 Global Depository Shares representing 22,894,000 common shares for ₩601,356 million (\$453,477 thousand), which include paid-in capital in excess of par value of ₩486,886 million (\$367,156 thousand).

14. Capital Adjustments

Capital adjustments as of December 31, 2001 and 2000 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Treasury stock	₩ (79,648)	₩ (545,300)	\$ (60,062)	\$ (411,206)
Discounts on stock issuance	(621)	(48)	(468)	(36)
Gain (Loss) on valuation of investment equity securities (see Note 5)	22,775	(168,115)	17,174	(126,774)
Stock option cost	13,687	7,225	10,321	5,448
Cumulative translation adjustments	(5,251)	(23,219)	(3,959)	(17,509)
Loss on valuation of derivatives (see Note 2)	(16,377)	(65,717)	(12,350)	(49,556)
	<u>₩ (65,435)</u>	<u>₩ (795,174)</u>	<u>\$ (49,344)</u>	<u>\$ (599,633)</u>

(1) Treasury stock

The Company has shares held as treasury stock consisting of 992,155 common shares and 3,168,600 preferred shares with a carrying value of ₩71,786 million (\$54,133 thousand) as of December 31, 2001, and 24,667,007 common shares and 4,178,600 preferred shares with a carrying value of ₩438,095 million (\$330,364 thousand) as of December 31, 2000, acquired directly or indirectly through the Treasury Stock Funds and Trust Cash Funds. In addition, the Company's shares of subsidiaries' stocks held by themselves, amounting to ₩7,862 million (\$5,929 thousand) and ₩107,205 million (\$80,842 thousand) as of December 31, 2001 and 2000, respectively, are included in the treasury stock.

(2) Discounts on stock issuance

Certain subsidiaries accounted for expense on issuance of new stock as discounts on stock issuance. The Company's share of these discounts amounting to ₩621 million (\$468 thousand) and ₩48 million (\$36 thousand) is accounted for as a debit to capital adjustments as of December 31, 2001 and 2000, respectively.

(3) Gain (loss) on valuation of investment equity securities

The Company recorded a gain (loss) from valuation of marketable investment equity securities and investments on affiliates, which were accounted for using the equity method (see Note 5), and the Company's share of the gain (loss) on valuation of investment equity securities reported in accounts of its subsidiaries in capital adjustments as gain (loss) on valuation of investment equity securities within shareholders' equity. The Company recorded a gain of ₩22,775 million (\$17,174 thousand) and a loss of ₩168,115 million (\$126,774 thousand) in 2001 and 2000, respectively.

(4) Stock option cost

The Company granted 104 directors stock options (grant date: March 10, 2000, exercise date: March 10, 2003, expiry date : March 9, 2008), at an exercise price of ₩14,900 as determined during the meeting of the shareholders on March 10, 2000. As of December 31, 2001, 85 directors are entitled to these stock options due to the retirement of directors after grant date. If all of the stock options as of December 31, 2001, which require at least two-year continued service, are exercised, 1,470,000 new shares or shares held as treasury stock will be granted according to the decision of the Board of Directors. The Company calculates the total compensation expense using an option-pricing model. In the model, the risk-free rate of 9.04%, an expected exercise period of 5.5 years and an expected variation rate of stock price of 71.1 percent are used. Total compensation expense amounting to ₩13,482 million (\$10,167 thousand) and ₩15,958 million (\$12,034 thousand) in 2001 and 2000, respectively, is accounted for as a charge to current operations and a credit to capital adjustment over the required period of service (two years) from the grant date using the straight-line method.

In addition, Kia, a subsidiary, granted 71 directors stock options (grant date: March 17, 2000, exercise date: March 17, 2003, expiry date: March 17, 2008), at an exercise price of ₩5,500 as determined during the meeting of the shareholders on March 17, 2000. If all of the stock options, which require at least two-year continued service, are exercised, 1,165,000 new shares or shares held as treasury stocks will be granted in accordance with the decision of the Board of Directors. The Company calculates the total compensation expense using the option-pricing model. In the model, the Risk-free rate of 10.0 percent, the expected exercise period of 5.5 years and the expected variation rate of stock price of 0.8387 are adopted. Total compensation expense amounts to ₩4,581 million (\$3,454 thousand) and is to be accounted for as a charge to current operations and a credit to capital adjustment over the required period of service from the grant date using the straight-line method.

(5) Cumulative translation adjustments

Cumulative translation debits of ₩5,251 million (\$3,959 thousand) and ₩23,219 million (\$17,509 thousand) as of December 31, 2001 and 2000, respectively, which result from the translation of financial statements of overseas subsidiaries and the branch located in the United States, is included in capital adjustments on the basis set forth in Note 2.

(6) Loss on valuation of derivatives

Loss on valuation of the effective portion of derivative instruments for cash flow hedging purpose from forecasted exports, amounting to ₩16,377 million (\$12,350 thousand) and ₩65,717 million (\$49,557 thousand) as of December 31, 2001 and 2000, respectively, is included in capital adjustments on the basis set forth in Note 2.

15. Pledged Assets, Checks and Notes

As of December 31, 2001, the following assets, checks and notes are pledged as collateral:

- (1) The Company's and its domestic subsidiaries' property, plant and equipment are pledged as collateral for various loans to a maximum of ₩4,951 billion (\$3,734 million).
- (2) The Company's and its domestic subsidiaries' cash and cash equivalents of ₩11,427 million (\$8,617 thousand), financial instruments of ₩353,048 million (\$266,230 thousand), marketable securities and investment securities (see Note 6) are pledged as collateral for various borrowings, debenture, payables, lease agreements, guarantees of a customer financing system and others.

- (3) Certain overseas subsidiaries' receivables, inventories and others are pledged as collateral for their borrowings.
- (4) 161 blank checks, 316 blank promissory notes, 6 check amounting to ₩22,092 million (\$16,659 thousand) and 9 promissory notes amounting to ₩22,574 million (\$17,023 thousand) are pledged as collateral to financial institutions and others.

16. Selling and administrative expenses

Selling and administrative expenses are as follows:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Salaries	₩1,405,442	₩1,258,777	\$ 1,059,831	\$ 949,232
Export costs	763,607	673,480	575,829	507,865
Sales promotion	1,862,237	2,084,568	1,404,296	1,571,954
Sales commission	363,607	279,508	274,193	210,774
Sales warranties	1,357,028	1,027,543	1,023,323	774,861
Taxes and dues	43,579	30,482	32,863	22,986
Communications	56,279	48,160	42,439	36,317
Utilities	38,364	33,427	28,930	25,207
Freight & warehousing	133,248	138,710	100,481	104,600
Rent	57,685	63,148	43,500	47,619
Travel	99,204	87,284	74,809	65,820
Service charges	276,752	164,431	208,696	123,996
Supplies	65,810	52,384	49,627	39,502
Research	108,006	75,955	81,446	57,277
Depreciation	201,389	128,383	151,865	96,813
Amortization	68,530	55,413	51,678	41,787
Provision for bad debt	452,755	39,527	341,418	29,807
Other	72,608	55,069	54,753	41,527
	<u>₩7,426,130</u>	<u>₩6,296,249</u>	<u>\$ 5,599,977</u>	<u>\$ 4,747,944</u>

17. Extraordinary Items

Extraordinary gains and losses in 2001 and 2000 are as follows:

Accounts	Descriptions	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
		2001	2000	2001	2000
Loss on disposition of investments, net	Loss on disposition of investments in affiliates (see Note 4)	₩ -	₩(166,215)	\$ -	\$ (125,341)
Other extraordinary gain (loss)	Tax effects of tax loss carried forward	197,301	-	148,783	-
	Lump-sum royalty contributed to the Sales Division (see Note 28)	-	95,300	-	71,865
	Others	(6,651)	-	(5,016)	-
		<u>₩ 190,650</u>	<u>₩ (70,915)</u>	<u>\$ 143,767</u>	<u>\$ (53,476)</u>

In 1999, Kia, one of the Company's subsidiaries, and its transferor company, formerly Asia Motors, asked the Korean tax authorities to reassess the accumulated tax loss carryforward totaling ₩4,573,584 million (\$3,448,898 thousand) for the loss on prior period error corrections that is attributable to events occurring from 1991 to 1997 and charged to the operations in 1998. However, the tax authorities refused to reassess the tax loss carry forward and, instead, imposed on May 1, 2000, a corporate tax assessment of ₩380,668 million (\$287,058 thousand) pertaining to taxable year 1998.

Kia appealed the dismissal of its request for reassessment and the imposition of corporate tax by the tax authorities and brought the case to the National Tax Tribunal. On January 31, 2001, the National Tax Tribunal accepted the Kia's assertion and issued its decision for the reassessment of Kia's prior years' taxable income. Pursuant to the decision of the National Tax Tribunal, the tax authorities reassessed Kia's tax loss carry forward and determined the deductible amount for tax loss carry forward as ₩640,589 million (\$483,062 thousand) as of January 1, 2001, after the utilization of ₩98,093 million (\$73,971 thousand) of tax loss carryforward during 2000. In prior years, the future tax benefits from the tax loss carryforward were not recorded by Kia as deferred income tax assets pending the outcome of the tax litigation. Accordingly, in 2001, Kia recognized the tax benefits from the reassessed tax loss carryforward as an extraordinary gain in the amount of ₩197,301 million (\$148,783 thousand). Additionally, in 2001, as a result of the determination of the deductible amount for tax loss carryforward, the asset revaluation tax amounting to ₩22,044 million (\$16,623 thousand) out of ₩34,256 million (\$25,832 thousand) paid and recorded as other receivables in 2000 with respect to the asset revaluation in 1999 was refunded to Kia.

18. Income Tax Expense and Deferred Income Tax Debits (Credits)

Income tax expense in 2001 and 2000 consists of the following:

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Income tax currently payable	₩ 604,744	₩ 243,706	\$ 456,032	\$ 183,776
Changes in deferred income taxes due to:				
Temporary differences	(162,229)	4,014	(122,335)	3,027
Tax loss carried forward	138,866	(63,205)	104,718	(47,662)
Tax credit carried over	(8,881)	-	(6,697)	-
Deduction of capital surplus and retained earnings	96,499	-	72,769	-
Excess of limitation on donation to designated organization, others	(607)	-	(458)	-
Consolidating adjustments	2,772	(23,849)	2,090	(17,984)
	66,420	(83,040)	50,087	(62,619)
Income tax expense	₩ 671,164	₩ 160,666	\$ 506,119	\$ 121,157

In 2001, the changes in accumulated temporary difference due to consolidating adjustments are as follows:

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousand)	
	Beginning of the year	Changes	End of the year	End of the year
Elimination of unrealized profits and Losses	₩ 140,837	₩ 107,725	₩ 248,562	\$ 187,438
Reversal of accrued product liabilities	(54,569)	(12,131)	(66,700)	(50,298)
Gain on valuation of investments (equity method)	182,526	(245,661)	(63,135)	(47,610)
Others	(14,666)	1,107	(13,559)	(10,225)
	254,128	(148,960)	105,168	79,305
Tax rate (%)	30.8%		29.7%	29.7%
	₩ 78,271	₩ (47,036)	₩ 31,235	\$ 23,554

In 2000, the changes in accumulated temporary difference due to consolidating adjustments are as follows:

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousand)	
	Beginning of the year	Changes	End of the year	End of the year
Elimination of unrealized profits and losses	₩ 132,766	₩ 8,071	₩ 140,837	\$ 106,204
Reversal of accrued product liabilities	(46,628)	(7,941)	(54,569)	(41,150)
Gain on valuation of investments (equity method)	109,689	72,837	182,526	137,641
Others	<u>(19,132)</u>	<u>4,466</u>	<u>(14,666)</u>	<u>(11,059)</u>
	176,695	77,433	254,128	191,636
Tax rate (%)	<u>30.8%</u>	<u>30.8%</u>	<u>30.8%</u>	<u>30.8%</u>
	<u>₩ 54,422</u>	<u>₩ 23,849</u>	<u>₩ 78,271</u>	<u>\$ 59,023</u>

Deferred income taxes as of December 31, 2001 are computed as follows:

Description	Debits		Credits	
	Korean won (in millions)	U.S. dollars (in thousands)	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Accounts of the Company	₩ 241,570	\$ 182,166	₩ -	\$ -
Accounts of subsidiaries	<u>854,793</u>	<u>644,591</u>	<u>78,437</u>	<u>59,149</u>
	1,096,363	826,757	78,437	59,149
Changes due to consolidating adjustments	<u>37,689</u>	<u>28,421</u>	<u>6,454</u>	<u>4,867</u>
Deferred income taxes	<u>₩ 1,134,052</u>	<u>\$ 855,178</u>	<u>₩ 84,891</u>	<u>\$ 64,016</u>

Deferred income taxes as of December 31, 2000 are computed as follows:

Description	Debits		Credits	
	Korean won (in millions)	U.S. dollars (in thousands)	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Accounts of the Company	₩ 240,853	\$ 181,625	₩ -	\$ -
Accounts of subsidiaries	<u>574,012</u>	<u>432,857</u>	<u>9,614</u>	<u>7,250</u>
	814,865	614,482	9,614	7,250
Changes due to consolidating adjustments	<u>78,271</u>	<u>59,024</u>	<u>-</u>	<u>-</u>
Deferred income taxes	<u>₩ 893,136</u>	<u>\$ 673,506</u>	<u>₩ 9,614</u>	<u>\$ 7,250</u>

19. Dividends

The computation of the proposed dividends for 2001 is as follows:

	Number of Shares	Dividend rate	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Common shares, net of treasury shares	218,187,967	15%	₩ 163,641	\$ 123,400
Preferred shares, net of treasury shares:				
Old	24,492,541	16%	19,594	14,776
New	37,541,005	17%	<u>31,910</u>	<u>24,063</u>
			<u>₩ 215,145</u>	<u>\$ 162,239</u>

The computation of the proposed dividends for 2000 is as follows:

	<u>Number of Shares</u>	<u>Dividend rate</u>	<u>Korean won (in millions)</u>	<u>U.S. dollars (Note 2) (in thousands)</u>
Common shares, net of treasury shares	205,325,212	12%	₩ 123,195	\$ 92,900
Preferred shares, net of treasury shares:				
Old	24,482,541	13%	15,913	12,000
New	37,541,005	14%	<u>26,279</u>	<u>19,817</u>
			<u>₩ 165,387</u>	<u>\$ 124,717</u>

(*) Actual payments of dividends payable amount to ₩165,356 million (\$124,694 thousand) by December 31, 2001.

20. Elimination of Unrealized profits and Losses

Unrealized profits and losses resulting from intercompany sales are calculated based on the average gross margin rate of selling companies and are eliminated in the consolidated financial statements. Unrealized profits related to sales of inventories and property, plant and equipment as of December 31, 2001 are as follows:

	<u>Korean won (in millions)</u>		<u>U.S. dollars (Note 2) (in thousands)</u>	
	<u>Inventories</u>	<u>Property, Plant and Equipment</u>	<u>Inventories</u>	<u>Property, Plant and Equipment</u>
Upstream sales	₩ 3,747	₩ 1,057	\$ 2,826	\$ 797
Downstream sales	244,815	990	184,613	747
Downstream sales between consolidated subsidiaries	319,570	-	240,985	-

Unrealized profits related to sales of inventories and property, plant and equipment as of December 31, 2000 are as follows:

	<u>Korean won (in millions)</u>		<u>U.S. dollars (Note 2) (in thousands)</u>	
	<u>Inventories</u>	<u>Property, Plant and Equipment</u>	<u>Inventories</u>	<u>Property, Plant and Equipment</u>
Upstream sales	₩ 244	₩ -	\$ 184	\$ -
Downstream sales	140,593	681	106,020	514
Downstream sales between consolidated subsidiaries	247,315	-	186,498	-

21. Intercompany Transactions

Significant transactions in 2001 and 2000 between the Company and consolidated subsidiaries are as follows:

	Korean won (in millions)				U.S. dollars (Note 2) (in thousands)			
	2001		2000		2001		2000	
	Company's income	Company's expenses	Company's income	Company's expenses	Company's income	Company's expenses	Company's income	Company's expenses
Hyundai Capital Service Inc.	₩ 54,576	₩ -	₩ 11,554	₩ 14,119	\$ 41,155	\$ -	\$ 8,713	\$ 10,647
KEFICO Corporation	12,776	260,587	8,923	250,217	9,634	196,506	6,729	188,686
Korea Drive Train System	71,214	222,603	27,831	179,710	53,702	167,863	20,987	135,518
Kia Motors Corporation	809,373	457,928	680,387	60,659	610,341	345,319	513,074	45,742
Hyundai HYSCO	3,608	219,062	89	304,654	2,721	165,193	67	229,737
Hyundai Motor America	5,401,377	-	3,325,499	-	4,073,129	-	2,507,729	-
Hyundai America Technical Center Inc.	-	18,988	-	8,448	-	14,319	-	6,371
Hyundai Motor India	113,161	24,323	86,292	4,189	85,334	18,342	65,072	3,159
Hyundai Motor Japan Co.	17,927	-	1,322	-	13,519	-	997	-
Hyundai Motor Poland Sp. Zo. O	32,428	-	-	-	24,4544	-	-	-
Hyundai Machine Tool Europe GmbH	18,806	-	-	10,725	14,181	-	-	8,088
HAOSVT	22,746	595	-	-	17,153	449	-	-

Significant transactions in 2001 and 2000 between the consolidated subsidiaries are as follows:

Subsidiaries	Counterpart subsidiaries	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
		2001	2000	2001	2000
Hyundai Capital Service Inc.	Kia Motors Corporation	₩ 17,654	₩ 21,507	\$ 13,313	\$ 16,218
KEFICO Corporation	Kia Motors Corporation	42,146	28,021	31,782	21,130
Korea Drive Train System	ROTEM	3,068	-	2,314	-
Kia Motors Corporation	Hyundai Capital Service Inc.	1,572	5,149	1,185	3,883
Kia Motors Corporation	Hyundai Machine Tool Europe GmbH	4,025	-	3,035	-
Kia Motors Corporation	KEFICO Corporation	1,807	989	1,363	746
Kia Motors Corporation	Hyundai Powertech	16,025	-	12,084	-
Kia Motors Corporation	KIA Motors America Inc. and etc.	3,575,661	2,558,691	2,696,374	1,929,486
Hyundai Powertech	Kia Motors Corporation	40,229	-	30,336	-
Hyundai HYSCO	Hyundai Motor India	6,674	-	5,033	-
Hyundai HYSCO	Kia Motors Corporation	94,986	136,626	71,628	103,028

As of December 31, 2001 and 2000, significant balances related to the transactions between the Company and consolidated subsidiaries are as follows:

	Korean won (in millions)				U.S. dollars (Note 2) (in thousands)			
	2001		2000		2001		2000	
	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable
Hyundai Capital Service Inc.	₩ 886	₩ 3,643	₩ 330	₩ 1,145	\$ 668	\$ 2,747	\$ 249	\$ 863
ROTEM	-	5,198	-	-	-	3,920	-	-
KEFICO Corporation	1,690	34,402	1,311	55,242	1,274	25,942	989	41,657
Korea Drive Train System	2,456	7,767	17,199	48,182	1,852	5,857	12,970	36,334
WIA Corporation	37,169	-	-	-	28,029	-	-	-
Kia Motors Corporation	77,476	97,268	398,594	67,979	58,424	73,349	300,576	51,262
Hyundai HYSCO	5	64,427	119	34,882	4	48,584	90	26,304
Hyundai Motor America	81,882	63,363	118,196	29,839	61,746	47,781	89,131	22,501
Hyundai Motor India	7,041	-	1,509	765	5,310	-	1,138	577
Hyundai Translead	-	39,265	8,077	54,838	-	29,609	6,091	41,353
Hyundai Motor Japan Co.	12,509	-	234	26	9,433	-	176	20
Hyundai Motor Poland Sp. Zo. O	13,567	-	-	-	10,231	-	-	-
HAOSVT	46,578	-	-	-	35,124	-	-	-

As of December 31, 2001 and 2000, significant balances related to the transactions between the consolidated subsidiaries are as follows:

Subsidiaries	Counterpart subsidiaries	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
		2001	2000	2001	2000
Kia Motors Corporation	Cheju Dynasty Co., Ltd	₩ 5,337	₩ -	\$ 4,025	\$ -
KEFICO Corporation	Kia Motors Corporation	10,077	11,435	7,599	8,623
Korea Drive Train System	Kia Motors Corporation	3,042	2,552	2,294	1,924
Hyundai Capital Service Inc.	ROTEM	5,562	-	4,194	-
Hyundai Powertech	Kia Motors Corporation	27,128	-	20,457	-
Kia Motors Corporation	KIA Motors America Inc. and etc.	263,766	246,684	198,904	186,022
Kia Motors Corporation	Hyundai Powertech	119,927	-	90,436	-
Kia Motors Corporation	Korea Drive Train System	-	35,000	-	26,393
Hyundai HYSCO	Kia Motors Corporation	18,929	44,480	14,274	33,542
Hyundai Motor Finance Company	HAOSVT	10,609	-	8,000	-

22. Commitments and Contingencies

- (1) The Company and its consolidated subsidiaries are contingently liable for guarantees of indebtedness of other than consolidated subsidiaries as of December 31, 2001 as follows:

<u>Company providing guarantee of indebtedness</u>	<u>Company provided guarantee of indebtedness</u>	<u>Korean won (in millions)</u>	<u>U.S. dollars (Note 2) (in thousands)</u>	
Hyundai Motor Company	Hyundai Merchant Marine	₩ 539,044	\$ 406,488	
	Hyundai MOBIS	12,692	9,571	
	Hyundai Motor Finance Company	281,796	212,500	
	Hyundai Translead	205,546	155,000	
	Hyundai Motor India	172,526	130,100	
	HAOSVT	48,380	36,483	
	Hyundai Motor Japan Co.	15,141	11,418	
	Hyundai Motor Amerida	13,867	10,457	
	Hyundai Motor Poland Sp.Zo.O	10,636	8,020	
	Other overseas	16,841	12,700	
	Other domestic	<u>4,747</u>	<u>3,580</u>	
			<u>₩ 1,321,216</u>	<u>\$ 996,317</u>
	Kia Motors Corporation	A.P. Co., Ltd.	2,140	1,614
Kisan Corporation		<u>5</u>	<u>4</u>	
		<u>₩ 2,145</u>	<u>\$ 1,618</u>	
Korea Drive Train System	WIA Corporation	16,516	12,455	
	Korea Precision Co., Ltd	<u>22,000</u>	<u>16,590</u>	
		<u>₩ 38,516</u>	<u>\$ 29,045</u>	

- (2) At December 31, 2001, the outstanding balance of accounts receivable discounted with recourse and transferred by the Company and its consolidated subsidiaries amounts to ₩238,251 million (\$179,663 thousand) except for short-term borrowings of ₩2,103,497 million (\$1,586,228 thousand) resulting from elimination of significant balances related to the transactions between the consolidated subsidiaries.
- (3) The Company and its consolidated subsidiaries have used a customer financing system related to a long-term installment sales system and have provided guarantees to related banks amounting to ₩769,525 million (\$580,292 thousand) as of December 31, 2001. These guarantees are all covered by insurance contracts, which specify the customer and the Company and its subsidiaries as contractor and beneficiary, respectively.
- (4) In connection with the merger of Automotive and Machine Tools Divisions of Hyundai MOBIS as of July 31, 1999, under the Korean Commercial Code, the Company became liable for the payment of the full amount of liabilities previously owned by Hyundai MOBIS. As a result, the Company is deemed to have assumed additional contingent liabilities of ₩133,533 million (\$100,696 thousand) as of December 31, 2001.
- (5) The Company accrues estimated product liabilities expenses and carries the products and completed operations liability insurance (see Note 7) in order to cover the potential loss, which may occur due to the lawsuits related to its operation such as product liabilities. The Company expects that the resolution of cases pending against the Company as of December 31, 2001 will not have any material effect on its financial position. The outcome of the creditors' claims in relation to Kia's denial of their claims in the in-court reorganization proceedings is not currently determinable. The total amount of creditors' claims under these 9 lawsuits are ₩119,734 million (\$90,290 thousand) as of December 31, 2001.

23. Segment Information

(1) Consolidated financial statements by industry

The consolidated balance sheet as of December 31, 2001 and 2000, and consolidated statement of income for the years then ended, by industry under which the Company and its subsidiaries' business are classified, are as follows:

Consolidated Balance Sheet As Of December 31, 2001

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
<u>ASSETS</u>				
Current assets:	₩ 11,357,794	₩ 771,925	\$ 8,564,810	\$ 582,102
Non-current assets:				
Investments, net of unamortized present value discount	3,491,920	922,684	2,633,225	695,788
Property, plant and equipment, net of accumulated depreciation	16,802,095	104,392	12,670,308	78,721
Intangibles, net of amortization	2,145,994	3,777	1,618,275	2,848
Other financial business assets	-	5,073,975	-	3,826,239
Total non-current assets	<u>22,440,009</u>	<u>6,104,828</u>	<u>16,921,808</u>	<u>4,603,596</u>
Total assets	<u>₩ 33,797,803</u>	<u>₩ 6,876,753</u>	<u>\$ 25,486,618</u>	<u>\$ 5,185,698</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Current liabilities:	₩ 13,479,051	₩ 4,438,112	\$ 10,164,430	\$ 3,346,740
Other long-term liabilities	<u>8,954,165</u>	<u>1,834,985</u>	<u>6,752,255</u>	<u>1,383,746</u>
Total liabilities	<u>22,433,216</u>	<u>6,273,097</u>	<u>16,916,685</u>	<u>4,730,486</u>
Shareholders' equity:				
Capital stock	1,443,302	399,458	1,088,381	301,228
Capital surplus	5,339,484	33,152	4,026,457	25,000
Retained earnings	2,193,068	158,691	1,653,773	119,667
Capital adjustments	(61,879)	12,355	(46,662)	9,317
Minority interests	<u>2,450,612</u>	<u>-</u>	<u>1,847,984</u>	<u>-</u>
Total shareholders' equity	<u>11,364,587</u>	<u>603,656</u>	<u>8,569,933</u>	<u>455,212</u>
Total liabilities and shareholders' equity	<u>₩ 33,797,803</u>	<u>₩ 6,876,753</u>	<u>\$ 25,486,618</u>	<u>\$ 5,185,698</u>

Consolidated Balance Sheet As Of December 31, 2000

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	<u>Non-financial industry</u>	<u>Financial Industry</u>	<u>Non-financial Industry</u>	<u>Financial industry</u>
<u>ASSETS</u>				
Current assets:	₩ 9,120,055	₩ 676,048	\$ 7,239,863	\$ 536,674
Non-current assets:				
Investments, net of unamortized present value discount	3,191,199	569,539	2,533,301	452,123
Property, plant and equipment, net of accumulated depreciation	15,448,527	34,689	12,263,656	27,537
Intangibles, net of amortization	1,956,335	2,811	1,553,016	2,231
Other financial business assets	<u>-</u>	<u>1,578,837</u>	<u>-</u>	<u>1,253,344</u>
Total non-current assets	<u>20,596,061</u>	<u>2,182,876</u>	<u>16,349,973</u>	<u>1,735,235</u>
Total assets	<u>₩ 29,716,116</u>	<u>₩ 2,861,924</u>	<u>\$ 23,589,836</u>	<u>\$ 2,271,909</u>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Current liabilities:	₩ 12,482,348	₩ 2,291,261	\$ 9,908,985	\$ 1,818,894
Other long-term liabilities	<u>7,290,528</u>	<u>129,181</u>	<u>5,787,511</u>	<u>102,549</u>
Total liabilities	<u>19,772,876</u>	<u>2,420,442</u>	<u>15,696,496</u>	<u>1,921,443</u>
Shareholders' equity:				
Capital stock	1,476,454	425,970	1,172,068	338,152
Capital surplus	5,354,390	-	4,250,528	-
Retained earnings	1,504,469	88,960	1,194,307	70,620
Capital adjustments	(759,123)	(73,448)	(602,622)	(58,306)
Minority interests	<u>2,367,050</u>	<u>-</u>	<u>1,879,059</u>	<u>-</u>
Total shareholders' equity	<u>9,943,240</u>	<u>441,482</u>	<u>7,893,340</u>	<u>350,466</u>
Total liabilities and shareholders' equity	<u>₩ 29,716,116</u>	<u>₩ 2,861,924</u>	<u>\$ 23,589,836</u>	<u>\$ 2,271,909</u>

Consolidated Statement of Income for the Year Ended December 31, 2001

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Sales	₩ 38,966,732	₩ 913,170	\$ 29,384,460	\$ 688,613
Cost of sales	29,037,671	288,551	21,897,045	217,594
Selling and administrative expenses	<u>7,051,424</u>	<u>430,660</u>	<u>5,317,415</u>	<u>324,756</u>
Operating income	2,877,637	193,959	2,170,000	146,263
Other expenses, net	<u>1,058,709</u>	<u>59,709</u>	<u>798,363</u>	<u>45,026</u>
Ordinary income	1,818,928	134,250	1,371,637	101,237
Extraordinary items, net	<u>190,650</u>	<u>-</u>	<u>143,767</u>	<u>-</u>
Income before income tax	2,009,578	134,250	1,515,404	101,237
Income tax expense	<u>635,451</u>	<u>43,588</u>	<u>479,188</u>	<u>32,870</u>
Income before minority interests	1,374,127	90,662	1,036,216	68,367
Minority interests	<u>260,940</u>	<u>-</u>	<u>196,772</u>	<u>-</u>
Net income	<u>₩ 1,113,187</u>	<u>₩ 90,662</u>	<u>\$ 839,444</u>	<u>\$ 68,367</u>

Consolidated Statement of Income for the Year Ended December 31, 2000

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Sales	₩ 32,006,980	₩ 548,791	\$ 25,408,415	\$ 435,652
Cost of sales	23,965,530	375,548	19,024,792	298,125
Selling and administrative expenses	<u>6,248,407</u>	<u>47,755</u>	<u>4,960,234</u>	<u>37,910</u>
Operating income	1,793,043	125,488	1,423,389	99,617
Other expenses, net	<u>1,007,623</u>	<u>33,128</u>	<u>799,891</u>	<u>26,298</u>
Ordinary income	785,420	92,360	623,498	73,319
Extraordinary items, net	<u>(70,915)</u>	<u>-</u>	<u>(56,295)</u>	<u>-</u>
Income before income tax	714,505	92,360	567,203	73,319
Income tax expense	<u>137,986</u>	<u>31,184</u>	<u>109,539</u>	<u>24,755</u>
Income before minority interests	576,519	61,176	457,664	48,564
Minority interests	<u>7,153</u>	<u>-</u>	<u>5,679</u>	<u>-</u>
Net income	<u>₩ 569,366</u>	<u>₩ 61,176</u>	<u>\$ 451,985</u>	<u>\$ 48,564</u>

The above figures are not tally with the consolidated Balance Sheets & statements of Income because the transactions between non-financial and financial companies were not eliminated.

(2) Regional Operations Status

Operations status, by region where the Company and its subsidiaries in 2001 are located, are as follows:

	Korean won (in millions)				Consolidation adjustment	Consolidated amounts
	Domestic	North America	Asia	Europe		
Total sales	₩ 39,258,617	₩ 7,241,581	₩ 1,030,909	₩ 100,587	₩ (7,780,119)	₩ 39,851,575
Intercompany sales	<u>(7,740,826)</u>	<u>(14,970)</u>	<u>(24,323)</u>	<u>-</u>	<u>7,780,119</u>	<u>-</u>
Net sales	<u>₩ 31,517,791</u>	<u>₩ 7,226,611</u>	<u>₩ 1,006,586</u>	<u>₩ 100,587</u>	<u>₩ -</u>	<u>₩ 39,851,575</u>
Operating income	₩ 2,840,267	₩ 270,576	₩ 24,742	₩ 856	₩ (18,326)	₩ 3,118,115
Total assets	₩ 40,182,546	₩ 2,993,154	₩ 810,640	₩ 49,707	₩ (4,163,751)	₩ 39,872,296

Operations status, by region where the Company and its subsidiaries in 2000 are located, are as follows:

	Korean won (in millions)				Consolidation adjustment	Consolidated amounts
	Domestic	North America	Asia	Europe		
Total sales	₩ 32,092,132	₩ 4,697,018	₩ 743,119	₩ 117,853	₩ (5,132,121)	₩ 32,518,001
Intercompany sales	<u>(5,104,033)</u>	<u>(13,174)</u>	<u>(4,189)</u>	<u>(10,725)</u>	<u>5,132,121</u>	<u>-</u>
Net sales	<u>₩ 26,988,099</u>	<u>₩ 4,683,844</u>	<u>₩ 738,930</u>	<u>₩ 107,128</u>	<u>₩ -</u>	<u>₩ 32,518,001</u>
Operating income (loss)	₩ 1,721,230	₩ 150,055	₩ 50,806	₩ (1,080)	₩ (23,634)	₩ 1,897,377
Total assets	₩ 31,686,725	₩ 2,468,977	₩ 533,131	₩ 132,084	₩ (2,833,707)	₩ 31,987,210

24. Adherence to Protection of Environment

The Company has been qualified as an Environmentally Friendly Company by the Korean government and has been ISO 14001 certified since 1995.

25. Disposal of Receivables in Financial Subsidiaries

Hyundai Capital Service Inc. and Hyundai Motor Finance Company dispose their finance receivable assets to Special Purpose Companies or financial intermediaries for the purpose of funding its operating capital. Hyundai Capital Service Inc. disposed such assets of ₩3,872,280 million (\$2,920,051 thousand) 2001 and of ₩5,338,145 million (\$4,025,447 thousand) in 2001 and 2000, respectively, resulting a breakeven and loss of ₩670 million (\$505 thousand) in 2001 and 2000, respectively. During 2001 and 2000, Hyundai Motor Finance Company had established Hyundai BC Funding Corporation, Hyundai Cha Funding Corporation, and Hyundai ABS Funding Corporation for the purpose of purchasing, holding, and selling finance receivable assets and disposed receivable assets of ₩675,726 million (\$509,559 thousand) and ₩217,085 million (\$172,331 thousand) in 2001 and 2000, respectively, resulting in gain of ₩25,888 million (\$22,930 thousand) and ₩1,103 million (\$976 thousand) in 2001 and 2000, respectively. These gain or loss on disposal of finance receivables assets were accounted as operating income or expenses and included in sales or cost of sales in the consolidated financial statements.

26. Establishment of a Branch in America

Effective August 1, 2000, the Company acquired the assets of Hyundai Machine Tools America Inc. an affiliated company, amounting to \$75,503 thousand at book value and assumed the liabilities for the same amount and established a Branch in America, which operates sales of machine tools.

27. The Stock Retirement of Kia

During the meeting on November 4, 2000, the shareholders of Kia approved the retirement by December 31, 2001 of 80 million shares, or 17.8 percent of total common stock issued as of December 31, 2000 in accordance with the provisions of the Korean Commercial Code and stock retirement of 80 million shares was executed by the consensus in 2001. This stock retirement resulted in the increase of the Company's and its subsidiaries' ownership. Due to this increase in ownership, the Company and its subsidiaries' additional share to Kia amounting to ₩68,732 million (\$51,830 thousand) is accounted for as capital surplus.

28. Sale of the Sales Division for Motor Parts for After-Sales Service

Effective January 31, 2000, the Company sold the Sales Division for motor parts for after-sales service, which handled the sales and distribution of the parts used for after-sales service, to Hyundai MOBIS. Of the book value of the disposed net assets of ₩396,422 million (\$298,938 thousand), in 2000, the Company received payment for ₩170,420 million (\$128,512 thousand), which is equal to the book value of land, buildings and structures, and will receive payment for the remaining ₩226,002 million (\$170,426 thousand) equally over five years beginning 2002. Additionally, payment for a lump-sum royalty of ₩50,000 million (\$37,705 thousand) was received in 2001. The Company also receives as annual royalty for ten percent of ordinary income of the Sales Division for motor parts for after-sales service for a ten year period starting in 2000. Interest on the principal of the disposed net assets and the lump-sum royalty is at 11 percent annually.

Effective December 1, 2000, Kia sold the Sales Division for motor parts for after-sales service, which handled the sales and distribution of the parts used for after-sales service, to Hyundai MOBIS. In addition to the payment for the book value of the disposed net assets of ₩264,805 million (\$199,687 thousand), Kia shall receive payment for goodwill consisting of a lump-sum royalty of ₩45,300 million (\$34,160 thousand) equally over a five-year period beginning in 2002 with interest at 11 percent annually and an annual royalty of ten percent of ordinary income of the Sales Division for motor parts for after-sales service for a ten year period starting in 2000.

Total lump-sum royalty of ₩95,300 million (\$ 71,865 thousand) resulting from the Company and Kia' sales of the Division is recognized as extraordinary gain in 2000.

29. Significant Event after Balance Sheet Date

(1) According to the decision of the Board of Director on April 2, 2002, the Company decided to invest the amount of \$700 million from 2002 to 2005 in HMA to construct vehicles production plant in the State of Alabama in the United States.

(2) ROTEM acquired Heavy Machinery and Plant Division from Hyundai MOBIS as of January 1, 2002, negotiating the detailed terms for this acquisition.